

The Influence of Profitability on Liquidity in Consumer Goods Sector Companies Listed on the Indonesia Stock Exchange for the 2023–2025 Period

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ABSTRACT

This research focuses on financial performance of consumer goods companies by assessing their profitability and liquidity and testing the relationship between the two indicators. Study employed quantitative method with causal associative design. Using purposive sampling, 52 companies were selected, resulting in 156 observations covering 2023–2025. Data obtained from annual financial reports were processed using SPSS 27, analysis encompassed descriptive statistics, testing classical assumptions, simple linear regression, assessing the coefficient of determination, and hypothesis testing. Findings reveal an average ROA of 0.0923 and an average CR of 2.3362. CR is positively and significantly impacted by ROA, as indicated by the regression outcomes, as designated by a coefficient 0.083 and a significance < 0.001 . Furthermore, the R^2 0.797 means that ROA accounts for 79.7% of variation in CR. These results indicate that more effective profitability is generally associated with better liquidity among consumer goods companies.

Keywords: consumer good; Current Ratio; liquidity; profitability; Return on Assets.

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How to cite this article: Zein, D. J., Ulfha, S. M., & Asyifa, N. L. (2026). *The Influence of Profitability on Liquidity in Consumer Goods Sector Companies Listed on the Indonesia Stock Exchange for the 2023–2025*. *Neraca Keuangan : Jurnal Ilmiah Akuntansi Dan Keuangan*, 21(2). Retrieved from <https://ejournal.uika-bogor.ac.id/index.php/neraca/article/view/25092>

History of Article: Received: 8 September 2026. Revision: 24 September 2026. Published: 1 October 2026.

DOI: [/doi.org/10.32832/neraca.v21i2.25092](https://doi.org/10.32832/neraca.v21i2.25092)

INTRODUCTION

The consumer goods industry represents an essential component of Indonesia's economic activities. This sector plays a significant role in supplying products required by the public in their daily lives, ranging from food and beverages to various household necessities. Because its products are continuously consumed and remain relevant to everyday needs, demand within this industry tends to be relatively stable compared with other sectors, even amid changes in economic conditions (Badan Pusat Statistik, 2023). The strategic importance of this industry is also reflected in its contribution of approximately 6.5% to Indonesia's national Gross Domestic Product (GDP). This condition indicates that consumer goods companies not only hold an important position in economic activities but are also expected to maintain sound financial performance and a healthy financial position.

Assessing a company's financial condition is important because its financial position is closely associated with business continuity and the firm's capability to meet its various obligations. Financial conditions can be evaluated through the information presented in financial statements. Kasmir (2019) explains financial statements offer a snapshot of a firm's financial standing during a defined timeframe. Consistent with this perspective, Hery (2017) states that financial statements constitute the final output of a series of accounting activities and serve as a means of communicating corporate information to stakeholders. The information contained in these statements supports stakeholders in making economic decisions (Fahmi, 2020). Therefore, examining and evaluating financial statements can aid in clarifying a business's operational outcomes and its effectiveness in managing available resources.

An in-depth examination of a company's financial achievements and operational efficiency can be effectively conducted by employing a variety of financial ratios, systematically extracted from the comprehensive data presented in its financial statements. Consistent with Hery (2017), financial ratios allow a firm's financial condition to be evaluated through several indicators, including its ability to

generate profits and settle short-term liabilities. In terms of profitability, this indicator reflects the extent to which a firm can utilize its assets and resources to generate earnings. Aprilia (2024) explains that profitability ratios also indicate the efficiency of a company in producing profits and the quality of management in utilizing its resources. This study employs ROA as the measure of profitability. ROA indicates generally reflects more effective asset utilization in generating profits (Susanto et al., 2026).

Assessing a firm's financial stability involves examining the equilibrium between its immediate assets and its immediate debts. A firm's liquidity position can be assessed through the CR, which indicates the extent to which current assets are sufficient to meet current liabilities. Kasmir (2019) explains that the Current Ratio provides an sign of a firm's volume to utilize its current resources to settle obligations that are approaching maturity. A relatively low CR may indicate the firm's current assets are inadequate to meet its immediate obligations. On the other hand, an elevated CR may not always reflect a stronger financial condition, as it can indicate that current assets are held in excess of the amount required for efficient operations. Consequently, liquidity is not merely related to the availability of current assets but also reflects how effectively those assets are managed and allocated.

The liquidity conditions of consumer goods companies listed on IDX demonstrate considerable differences across companies and observation periods. Based on the financial statements processed by the researchers, Current Ratio values during 2023–2025 varied substantially. PT BISI International Tbk (BISI), for example, recorded a CR of approximately 7.34 in 2023, which increased to 13.40 in 2024 and further to 14.31 in 2025. A different pattern was observed in PT H.M. Sampoerna Tbk (HMSP), whose CR remained relatively stable within a range of approximately 1.63–1.76. In contrast, PT Bakrie Sumatera Plantations Tbk (UNSP) recorded comparatively low liquidity throughout the observation period. Its Current Ratio stood at approximately 0.10 in both 2023 and 2024 before increasing slightly to 0.11 in 2025. These figures demonstrate that consumer goods companies exhibit considerable variation in their capacity to ensure adequate liquidity for fulfilling immediate financial commitments.

A similar pattern can be observed in corporate profitability. ROA values among consumer goods companies during 2023–2025 also displayed substantial variation. PT Unilever Indonesia Tbk (UNVR), for instance, recorded an ROA of approximately 0.29 in 2023, which declined to 0.21 in 2024 before rising to approximately 0.38 in 2025. PT Garudafood Putra Putri Jaya Tbk (GOOD) maintained a relatively stable ROA within the range of 0.081–0.082. Meanwhile, PT Millennium Pharmacon International Tbk (SDPC) recorded a lower ROA, at approximately 0.020 in 2023, declining to 0.010 in 2024 and subsequently returning to approximately 0.020 in 2025. These differences indicate that companies operating within the same broad industry do not necessarily demonstrate the same level of effectiveness in utilizing their assets to generate profits.

The relationship between profitability and liquidity provides insight into how companies manage the outcomes generated from their business activities. Higher profits may increase the availability of internal funds that can subsequently strengthen current assets, thereby improving the firm's volume to settle current liabilities. Brigham and Houston (2018) argue that a higher level of profitability is generally associated with stronger liquidity. Nevertheless, an increase in profit does not automatically lead to improved liquidity because management may allocate the generated funds to other corporate purposes. Such funds may be directed toward business expansion, investment activities, dividend distribution, or the settlement of other company obligations (Susanto et al., 2026).

This condition can be observed from the development of average ROA and CR among consumer goods companies during 2023–2025. The average ROA remained relatively unchanged at approximately 0.10 in 2023, 2024, and 2025. In contrast, the average CR showed an upward movement, increasing from 2.53 in 2023 to 2.59 in 2024 and reaching 2.66 in 2025. The difference between these trends indicates that an improvement in liquidity does not necessarily occur in parallel with changes in profitability. Kasmir (2019) explains that movements in financial ratios can be affected by management policies and a company's operational conditions. Profits generated by a company are also not necessarily retained as current assets because they may be allocated to other corporate needs (Fahmi, 2020). This phenomenon provides a basis for further empirical examination of the relationship between profitability and liquidity.

Empirical evidence concerning the linkage between profitability and liquidity has yet to demonstrate a consistent pattern across different business settings. Hendayana and Anjarini (2021), for instance, identified a positive and significant association between CR and ROA among firm's operating in construction and building sectors and traded on the Indonesia Stock Exchange. A similar finding

emerged from the study of Virgantara et al. (2021) in firm's included within the PEFINDO i-GRADE index, indicating that liquidity, as measured by CR, was significantly associated with profitability measured by ROA. Different evidence emerged from a comparative study of banking companies in Indonesia and Malaysia, which found that CR did not significantly affect ROA among Indonesian banks, whereas a different relationship was observed among Malaysian banks. The variation in these findings highlights how the liquidity–profitability relationship can be influenced by industry characteristics, institutional environments, and the way financial resources are managed. Such differences provide an empirical basis for continuing to investigate the relationship between these two financial dimensions rather than assuming that their association is uniform across firm's and sectors.

A further issue can be identified in the direction of the relationship examined in previous research. Much of the recent empirical literature in Indonesia has approached profitability from the perspective of liquidity as its determining factor, particularly by employing the Current Ratio (CR) to explain variations in Return on Assets (ROA). Mutasowifin and Dwitaningsih (2022), for example, examined liquidity as one of the factors associated with corporate profitability using a panel-data approach. Similarly, Sany and Yonatan (2023) examined the association of liquidity with profitability in Indonesian retail firm's, positioning liquidity as a factor that may contribute to variations in profitability. These studies provide valuable empirical insights into how liquidity relates to profitability, while leaving the reverse relationship, namely the extent to which profitability may be associated with a company's liquidity position, less extensively examined. This issue becomes particularly relevant in consumer goods companies because their operating activities involve continuous control over cash flows, receivables, stock levels, and short-term financial commitments in supporting routine business operations. Examining this relationship may therefore provide a different empirical perspective on whether the generation of earnings from effective asset use is accompanied by stronger capacity for fulfilling short-term financial commitments. Drawing from this consideration, this study investigates whether profitability, proxied by ROA, is associated with liquidity, represented by CR, among consumer goods companies traded on the Indonesia Stock Exchange during 2023–2025.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Financial Ratios

Financial statements provide relevant information for stakeholders to appraise a firm's financial condition and performance and to support decision-making processes (Sari & Nur'aidawati, 2024). However, the information contained in financial statements needs to be interpreted systematically in order to provide a more meaningful representation of corporate performance. One approach that can be applied is financial ratio analysis, which evaluates selected financial statement accounts either within the same reporting period or by comparing their development across different periods (Firmansyah & Ripai, 2025). Through this approach, financial information can be transformed into indicators that facilitate the assessment of a firm's financial condition and performance.

This study focuses on two financial dimensions, namely profitability and liquidity. Profitability is used to assess the firm's effectiveness in transforming its available resources into earnings, while liquidity measures the extent to which a company is able to fulfill its immediate financial responsibilities. The use of these two dimensions enables the study to determine whether the capacity of a firm to cover its short-term debts is linked to how effectively it uses its assets to create profits.

Profitability

The ability of an organization to derive earnings from its resources efficiently is termed profitability (Telaumbanua et al., 2021). In addition to representing the firm's capacity to produce incomes, profitability can also indicate how effectively management conducts and controls the company's operational activities (Fahmi, 2018). A higher profitability level may reflect the extent to which a firm can utilize its resources more productively in pursuing its financial goals.

Profitability is measured using ROA. ROA represents the firm's extent of profit generation through the utilization of its overall asset resources (Udayat et al., 2026). This ratio provides an indication of the efficiency of managerial efforts in transforming available assets into earnings. A higher ROA designates that the firm is achieving greater profit through superior asset deployment (Zainati & Zahra, 2024). Therefore, ROA is considered an appropriate indicator for evaluating profitability because

it relates the earnings generated by a company to the resources employed in its business operations.

Liquidity

Liquidity describes a company's capacity to utilize its current assets to settle financial obligations that become due in the near term (Irfani, 2020). Maintaining an adequate level of liquidity is important because it enables a company to continue meeting its short-term commitments without experiencing financial disruption. Liquidity can consequently be regarded as reflecting the firm's aptitude to maintain the continuity of its payment obligations as they reach maturity (Permata, 2025).

The liquidity variable assessed by CR. This ratio assesses the proportion of current assets available in relation to current liabilities, thereby reflecting the firm's capacity to fulfill obligations due in the near term (Kasmir, 2021). A higher CR generally indicates greater coverage of current liabilities by current assets. Nevertheless, its assessment should also take into account the possibility that an unusually high ratio could reflect idle current assets that have yet to be employed effectively.

Previous Studies and Research Gap

Profitability and liquidity represent two financial dimensions that are closely related to the administration of resources within a firm, although they describe different aspects of financial conditions. Profitability describes how effectively the assets committed to business activities are transformed into earnings, whereas liquidity indicates the extent to which current assets are available to cover short-term liabilities. The relationship between these indicators is therefore relevant to corporate financial management because earnings generation does not necessarily result in the same movement in short-term financial resources (Sany & Yonatan, 2023).

Empirical research has frequently examined the relationship by positioning liquidity as a determinant of profitability. Sany and Yonatan (2023) investigated publicly listed retail companies in Indonesia using panel-data regression and found that liquidity measured by the Current Ratio (CR) had a positive and significant effect on profitability measured by Return on Assets (ROA). Their evidence indicates that the proportion of current assets relative to current liabilities can be associated with firm's ability to generate profits. The study, however, examines the relationship in the direction of CR toward ROA, which differs from the direction investigated in the present study (Sany & Yonatan, 2023).

A similar direction was identified by Mutasowifin and Dwitaningsih (2022) in their study of Indonesian palm oil companies. Using panel-data regression, the researchers found that CR had a negative effect on ROA. This result contrasts with the positive relationship reported in Indonesian retail companies and indicates that the association between liquidity and profitability can vary according to the characteristics of the business sector. The finding also demonstrates that a higher level of current assets relative to current liabilities does not necessarily produce stronger profitability (Mutasowifin & Dwitaningsih, 2022).

Recent evidence from Indonesian food and beverage companies continues to place liquidity as an explanatory variable for profitability. Sari et al. (2025) examined companies in the food and beverage subsector listed on the Indonesia Stock Exchange during 2019–2024 and reported that liquidity, measured by CR, did not have a significant effect on ROA. This result provides another contrast to studies that identify a significant relationship and suggests that the association between liquidity and profitability remains sensitive to the research population and empirical setting (Sari et al., 2025).

More recent research also demonstrates that the interaction between these financial indicators may produce different results when different samples and models are applied. Maulana et al. (2025) found that liquidity measured by CR had a negative and significant effect on ROA in their research model. The negative relationship suggests that maintaining a relatively large amount of current assets does not automatically improve profitability because resources held in liquid form may generate lower returns when they are not efficiently utilized in operating activities (Maulana et al., 2025).

Evidence from the consumer-related sector further confirms that the two variables continue to be examined primarily through the effect of liquidity on profitability. Wibowo (2025), for example, investigated the food and beverage industry listed on the Indonesia Stock Exchange and found that CR had a positive and significant partial effect on ROA. The study employed panel-data regression and focused on liquidity as an explanatory variable, reinforcing the observation that the direction from CR to ROA remains more frequently investigated than the reverse relationship (Wibowo, 2025).

The comparison of these studies reveals that previous empirical evidence does not provide a single consistent conclusion regarding the interaction between liquidity and profitability. Sany and Yonatan

(2023) reported a positive significant relationship, while Mutasowifin and Dwitaningsih (2022) identified a negative effect. Sari et al. (2025) reported an insignificant relationship, whereas Wibowo (2025) again found a positive significant effect. These contrasting findings indicate that the relationship can differ according to industry characteristics, operating conditions, sample composition, observation periods, and the financial structure of the companies under investigation.

The inconsistency is particularly important because most of the identified studies examine liquidity as the independent variable and profitability as the dependent variable. This research direction provides useful evidence regarding the extent to which current assets and short-term obligations are associated with earnings generation, but it does not directly answer whether a firm's ability to generate earnings contributes to its subsequent liquidity position. The distinction between these two directions is substantive because profitability and liquidity are influenced by different financial decisions. A company may generate high earnings while simultaneously allocating a substantial portion of those earnings to investment, expansion, debt repayment, or dividend distribution, thereby limiting the increase in current assets (Mutasowifin & Dwitaningsih, 2022).

The research gap can therefore be identified in the limited empirical examination of profitability as a determinant of liquidity, particularly when ROA is used to represent profitability and CR is employed to measure liquidity. Recent Indonesian studies continue to focus predominantly on the opposite direction of the relationship. Sany and Yonatan (2023) position CR as a predictor of ROA, while Maulana (2025) likewise evaluates CR as an explanatory variable for ROA. This pattern leaves the reverse relationship, namely whether stronger profitability is associated with higher liquidity, comparatively less explored.

The industrial setting provides another reason for examining this relationship specifically among consumer goods companies. Firm's operating in consumer-related industries must continuously manage inventories, trade receivables, cash balances, and short-term liabilities because these components are directly connected with recurring operating activities. The ability to generate earnings from total assets may provide internally generated funds, but the extent to which those funds strengthen current assets depends on managerial decisions concerning working capital and resource allocation. Research involving Indonesian consumer goods companies has demonstrated that ROA and CR are relevant financial indicators, although they are commonly incorporated as variables explaining other corporate outcomes rather than directly testing the ROA-to-CR relationship (Sembiring et al., 2025).

The observation period also provides a further empirical dimension. Several previous studies use periods that end before or differ substantially from 2023–2025, while the present study examines a more recent three-year period. Sari et al. (2025), for example, analyzed food and beverage companies over 2019–2024, whereas Wibowo (2025) examined the 2015–2020 period. Differences in economic conditions, operating costs, consumer demand, working capital policies, and financing decisions across periods may contribute to variations in financial ratios and their relationships.

Based on these considerations, the present study addresses the identified gap by examining profitability as the independent variable and liquidity as the dependent variable. Profitability is represented by Return on Assets (ROA), while liquidity is measured by the Current Ratio (CR). The study focuses on consumer goods companies listed on the Indonesia Stock Exchange during 2023–2025, allowing the analysis to provide more recent evidence concerning whether firm's with greater asset-based profitability also demonstrate stronger short-term financial capacity.

Hypotheses Development

Profitability reflects a company's ability to generate earnings through the resources and assets used in its business activities. In this study, profitability is measured by Return on Assets (ROA), which indicates the extent to which the assets owned by a company are utilized to generate profit. A higher ROA generally reflects more effective utilization of company assets in producing earnings, making ROA relevant for assessing the financial capacity generated from operating activities (Kasmir, 2019).

Liquidity describes the company's ability to fulfill its short-term financial obligations when they become due. The Current Ratio (CR) is used as the measure of liquidity because it compares current assets with current liabilities and provides an indication of the extent to which current resources are available to cover short-term obligations. A stronger liquidity position indicates that the company has greater current-asset coverage relative to its current liabilities (Fahmi, 2020).

The relationship between profitability and liquidity can be explained through the financial

resources generated from business operations. Profit earned during a particular period may increase the financial resources available to the company and can subsequently contribute to the accumulation of current assets. When the generated earnings are retained and managed as part of working capital, the increase in current assets may strengthen the company's capacity to meet short-term liabilities. Profitability can therefore be associated with liquidity through the process of generating and allocating internally generated funds (Sany & Yonatan, 2023).

The expected relationship does not mean that every increase in profitability will automatically produce an equivalent increase in liquidity. The allocation of earnings depends on the financial decisions made by management. Profits may be directed toward business expansion, investment in non-current assets, debt repayment, dividend distribution, or other corporate requirements. Consequently, the portion of earnings that remains available to support current assets may differ among companies, resulting in different liquidity positions even when companies achieve comparable levels of profitability (Mutasowifin & Dwitaningsih, 2022).

Previous empirical research provides evidence that profitability and liquidity are financially interconnected, although the direction and significance of the relationship remain subject to the research setting. Sany and Yonatan (2023) found a significant relationship between liquidity and profitability among retail companies in Indonesia. Their findings demonstrate that CR and ROA are associated within the corporate financial structure, although liquidity was positioned as the explanatory variable in their model. This evidence supports the relevance of examining the relationship between the two variables from a different analytical direction.

Evidence from the consumer-related industry also indicates that the relationship between the two financial indicators cannot be assumed to be uniform. Wibowo (2025) reported a positive and significant effect of liquidity on profitability among food and beverage companies listed on the Indonesia Stock Exchange. This finding demonstrates that liquidity may be related to profitability in companies whose operating activities require continuous management of current assets and short-term liabilities. The direction tested in the study, however, differs from the present research, which examines profitability as the explanatory variable.

Other empirical evidence has produced different findings regarding the relationship between profitability and liquidity. Sari et al. (2025) found that liquidity did not have a significant effect on profitability among food and beverage companies listed on the Indonesia Stock Exchange. This result indicates that the relationship between the two financial dimensions may not be consistently significant across different samples and observation periods. Such variation provides a basis for further examination of whether profitability itself is associated with liquidity when the direction of analysis is reversed.

The relationship is particularly relevant for consumer goods companies because their operating activities involve the continuous management of inventories, cash, receivables, and short-term liabilities. Efficient utilization of total assets may generate earnings that can become an internal source of financing for working capital. When a portion of these internally generated funds is retained in current assets, the company may have greater capacity to fulfill its short-term obligations, which can be reflected in the Current Ratio (Sembiring et al., 2025).

The previous findings and theoretical explanation indicate that profitability may have an effect on liquidity through the financial resources generated from asset utilization. At the same time, the allocation of profits may cause the effect to vary among companies because earnings can be used for different operating, investment, and financing purposes. The limited empirical evidence that directly examines ROA as an explanatory variable for CR, particularly among consumer goods companies during the 2023–2025 period, provides a basis for conducting further empirical testing.

Based on the theoretical foundation, the relationship between the variables, and the empirical evidence discussed above, this study proposes that profitability measured by ROA may affect liquidity measured by CR. The hypothesis is formulated as follows:

H0: Profitability, as measured by Return on Assets (ROA), does not have a significant effect on liquidity, as measured by the Current Ratio (CR), among consumer goods companies listed on the Indonesia Stock Exchange during 2023–2025.

H1: Profitability, as measured by Return on Assets (ROA), has a significant effect on liquidity, as measured by the Current Ratio (CR), among consumer goods companies listed on the Indonesia Stock

Exchange during 2023–2025.

RESEARCH METHOD

A quantitative methodology is adopted in this study to investigate whether profitability influences liquidity among consumer goods companies listed on the Indonesia Stock Exchange (IDX) over the 2023–2025 period. The research applies a causal associative design, which is intended to identify the relationship between the independent variable and the dependent variable (Sugiyono, 2022). In this study, Return on Assets (ROA) serves as the proxy for profitability, whereas liquidity is represented by the Current Ratio (CR).

Population and Sample

The research population was drawn from firms classified within the consumer goods sector and recorded on the Indonesia Stock Exchange (IDX) throughout the 2023–2025 observation period. The identification of the population follows the IDX Industrial Classification (IDX-IC), with the scope covering the Consumer Non-Cyclicals and Consumer Cyclicals sectors. Accordingly, the classification provided by IDX-IC was used as the principal reference for defining the population and selecting eligible firms, rather than determining membership solely from the general characteristics of their business operations.

Purposive sampling was applied to obtain the research sample according to specific eligibility requirements established in advance. The selection included firms that remained listed throughout 2023–2025, made complete annual financial reports publicly available, recorded positive earnings, presented their financial information in Indonesian rupiah, and maintained their listing status throughout the observation period. Firms failing to satisfy any of these requirements were omitted from the sample. The screening procedure resulted in 52 eligible companies. Since each company was observed for three consecutive years, the final dataset comprised 156 firm-year observations.

Table 1. Sample Selection Criteria

No.	Sample Selection Criteria	Number
1	Consumer goods companies listed on the IDX through 2025	123
2	Companies without complete financial statements or required research data for 2023–2025	(41)
3	Companies that did not report positive earnings during 2023–2025	(29)
4	Companies that did not use Indonesian rupiah as the reporting currency	(1)
5	Final sample	52
6	Observation period	3 years
	Total firm-year observations	156

Source: Data processed by the authors (2026).

The 156 observations represent annual financial data from 52 companies observed over three consecutive years, resulting in a firm-year structure. Each firm-year observation is treated as the unit of analysis, while repeated observations from the same companies across years are considered when interpreting the findings.

Simple linear regression was used because the research model consists of one independent variable, ROA, and one dependent variable, CR. The analysis uses pooled firm-year observations and is considered a baseline analysis rather than a full panel-data estimation. Firm-specific and year-specific effects are therefore not separately controlled and are considered a limitation when interpreting the results.

Data Collection

Secondary information forms the basis of the dataset in this research, with data obtained through a documentation-based collection process. The main empirical materials comprise annual financial reports issued by the sampled firms and accessed through the IDX. Supporting literature, including books, scholarly journal articles, and findings from earlier studies, was consulted to strengthen the formulation of the research framework. ROA is employed as a measure of the firm's capacity to produce earnings from its asset resources, whereas CR reflects the extent to which current assets can support the

settlement of short-term obligations (Sugiyono, 2022).

Data Analysis

Statistical processing was carried out with IBM SPSS to evaluate the research data through several analytical stages. The procedures included descriptive statistical analysis, classical assumption testing, simple linear regression, the coefficient of determination, and hypothesis testing. Descriptive statistics were presented to capture the distribution of ROA and CR through their minimum, maximum, mean, and standard deviation values (Ghozali, 2021). Before estimating the regression model, classical assumption tests were performed to determine whether the dataset satisfied the conditions required for regression analysis, covering normality, linearity, and the identification of influential observations.

Simple linear regression was used because the proposed empirical model contains one explanatory variable, profitability measured by ROA, and one dependent variable, liquidity measured by CR. The model estimates the relationship between ROA and CR using the pooled firm-year observations. Since the dataset contains three annual observations for each of the 52 companies, the analysis does not treat the observations as completely unrelated cross-sectional units. The repeated firm observations are acknowledged as a limitation of the pooled regression approach because firm-specific characteristics and year-specific conditions may not be fully captured by the model. A panel-data estimation could explicitly account for such unobserved firm or time effects; however, the present study maintains simple linear regression as the baseline model to correspond with its single-predictor research framework. The regression results are therefore interpreted as an empirical association at the firm-year level rather than as evidence that eliminates all potential firm-specific and time-specific effects. The regression model is specified as:

$$CR = \alpha + \beta ROA + \varepsilon$$

where CR represents liquidity, α is the constant, β is the regression coefficient of ROA, ROA represents profitability, and ε denotes the error term. The regression coefficient is interpreted according to the measurement scale of ROA and indicates the expected change in CR associated with a one-unit change in ROA. The coefficient of determination (R^2) was used to determine the proportion of variation in liquidity that can be statistically explained by profitability. The t-test was subsequently applied to determine whether ROA has a statistically significant effect on CR.

RESULTS AND DISCUSSION

Descriptive Statistics

A total of 156 firm-year observations formed the dataset for the analysis, covering 52 consumer goods firms that satisfied the established sampling requirements over the 2023–2025 period. The observations were derived from secondary information reported in the companies' annual financial statements and obtained through the Indonesia Stock Exchange (IDX). IBM SPSS Statistics 27 was subsequently employed to summarize the observed patterns of profitability and liquidity using the minimum, maximum, mean, and standard deviation as descriptive measures (Ghozali, 2021).

Table 2. Descriptive Statistics

Variable	N	Min.	Max.	Mean	Std. Deviation
ROA	156	0.0011	0.3818	0.0923	0.0640
CR	156	0.1016	14.3136	2.3362	2.3361

Source: SPSS 27 output, processed by the researchers (2026).

Table 2 indicates that ROA ranges from 0.0011 to 0.3818, with a mean of 0.0923 and a standard deviation of 0.0640. The range between the minimum and maximum values indicates differences in the ability of the sampled companies to generate earnings from their assets. The standard deviation also shows that profitability varied across the firm's and observation years, reflecting differences in asset utilization, operating performance, and business conditions.

CR ranges from 0.1016 to 14.3136, with a mean of 2.3362 and a standard deviation of 2.3361. The substantial difference between the minimum and maximum values indicates considerable variation in the liquidity position of the sampled companies. Some firm's maintained current assets at a level substantially above their current liabilities, whereas others operated with a much narrower capacity to cover short-term obligations. This variation is relevant to the regression analysis because differences in liquidity across firm's provide sufficient variation for examining its statistical association with

profitability.

The maximum CR value of 14.3136 is considerably higher than the mean value of 2.3362. This indicates that the distribution of liquidity is relatively dispersed and may reflect differences in working capital policies among the sampled companies. A high Current Ratio does not necessarily indicate that a company manages its current assets more efficiently because excess current assets may also reflect resources that have not been fully utilized for productive activities (Ghozali, 2021).

Data Analysis

Prior to conducting the regression analysis, several diagnostic tests were performed to assess the suitability of the regression model, including normality, linearity, heteroscedasticity, independence, and influential observations or outliers. These assessments were considered important because the study used 156 firm-year observations and the CR values showed substantial variation (Ghozali, 2021). The normality test was assessed using the Normal P-P Plot of Regression Standardized Residuals. As shown in Figure 1, the residual points generally follow the diagonal line, indicating that the residuals approximate a normal distribution.

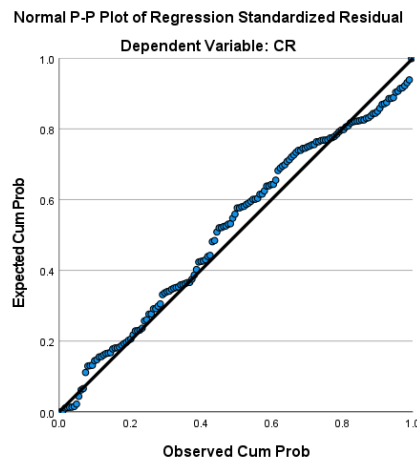


Figure 1. Normality Test Results

Source: SPSS 27 output, processed by the researchers (2026).

The linearity assessment indicates that the relationship between ROA and CR can reasonably be represented by a linear model, as no clear systematic nonlinear pattern was observed in the residual distribution. The heteroscedasticity test was conducted using a scatterplot, in which the residual points were distributed without a clear systematic pattern, indicating no substantial indication of heteroscedasticity.

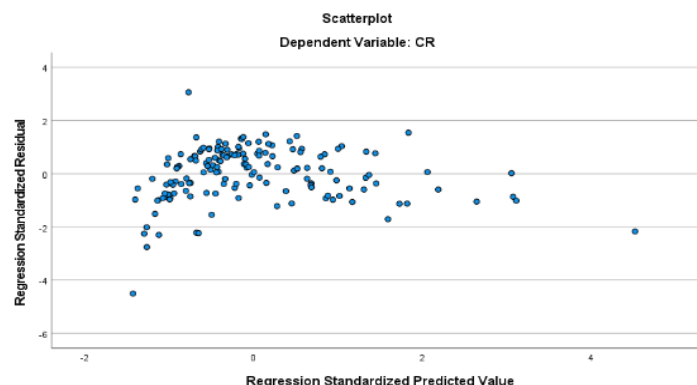


Figure 2. Heteroscedasticity Test Results

Source: SPSS 27 output, processed by the researchers (2026).

The independence of observations was considered in interpreting the 156 firm-year observations because the data consist of 52 companies observed over three consecutive years. Potential influential observations were also considered because CR ranged from 0.1016 to 14.3136. These extreme values

were retained when they represented actual financial statement data rather than input errors. Therefore, the wide CR range is interpreted as reflecting differences in liquidity conditions among the sampled firm's rather than automatically indicating invalid observations. Based on these diagnostic considerations, simple linear regression was subsequently conducted to examine the effect of ROA on CR. The regression results are presented in Table 2.

Table 3. Simple Linear Regression Results

Variable	Coefficient	t-value	Sig.
Constant	-0.770	—	—
ROA	0.083	24.571	<0.001

Source: SPSS 27 output, processed by the researchers (2026).

The regression estimates reported in Table 3 indicate a positive association between ROA and CR. ROA records a coefficient of 0.083, accompanied by a t-statistic of 24.571 and a significance level below 0.001. The significance level falls below the 5% threshold, providing statistical evidence that profitability significantly affects liquidity in the estimated model. The positive coefficient further suggests that an increase in profitability is associated with an increase in CR. Accordingly, the estimated relationship between the two variables can be formulated through the following regression equation:

$$CR = -0.770 + 0.083ROA + e$$

The constant of -0.770 represents the estimated value of CR when ROA is zero. The regression coefficient of 0.083 indicates a positive estimated relationship between ROA and CR based on the measurement used in the regression model. The coefficient is reported according to the original SPSS output and is interpreted as a regression estimate rather than as a direct percentage change in liquidity. The positive relationship indicates that higher profitability is associated with higher liquidity within the observed sample. This relationship may be related to the availability of internally generated funds from profitable operations, which can support current assets and short-term obligations. The finding represents the statistical relationship identified in the observed firm-year data and does not imply that profitability is the only factor determining liquidity.

Table 4. R² and F-Test Results

Test	Value	Sig.
R Square	0.797	—
F-value	603.736	<0.001

Source: SPSS 27 output, processed by the researchers (2026).

The coefficient of determination shows an R² value of 0.797, indicating that ROA statistically explains approximately 79.7% of the variation in CR, while the remaining 20.3% is associated with other factors outside the model. Although this value is relatively high for a model with one independent variable, it is consistent with the SPSS output. The high R² should be interpreted cautiously because CR shows substantial dispersion, ranging from 0.1016 to 14.3136, and the data consist of repeated firm-year observations from 52 companies over three years. Extreme CR values may also contribute to the strength of the estimated relationship, although the observations were retained because they represent actual financial statement data. The F-value of 603.736 with a significance value below 0.001 indicates that the regression model is statistically significant. These results support the finding that ROA has a statistically significant positive effect on CR among the sampled consumer goods companies during 2023–2025.

Discussion

Profitability Level Based on ROA

The descriptive results demonstrate differences in the profitability levels of consumer goods companies during the 2023–2025 observation period. The variation in ROA indicates that companies differed in their effectiveness in converting available assets into earnings. Such differences may be associated with variations in asset management, operational efficiency, sales performance, and cost control. A higher ROA generally reflects more effective utilization of assets in generating profits (Kasmir, 2019). Therefore, the sampled companies demonstrate different levels of efficiency in

managing their assets to support profitability.

The variation in profitability is also relevant to the financial flexibility of companies. Firm's that generate higher returns from their assets generally have greater potential to obtain internally generated funds from their operating activities. These funds can provide additional flexibility for financing working capital and meeting short-term financial requirements. The extent to which these funds strengthen liquidity, however, depends on management decisions regarding the allocation of earnings.

Liquidity Level Based on CR

The Current Ratio also shows considerable variation among the sampled companies. This condition reflects differences in capacity to employ current assets for meeting short-term obligations. Kasmir (2019) explains that CR reflects a company's capacity to settle current obligations using the current assets available to it. A higher CR generally indicates stronger short-term payment capacity. However, an excessively high CR does not necessarily represent a more favorable condition because it may indicate inefficient use of current resources. Accordingly, liquidity should be evaluated not only from the amount of current assets available but also from the effectiveness of their management.

The substantial variation in CR suggests that companies adopt different approaches to managing working capital. Differences in cash holdings, inventories, receivables, and short-term liabilities can produce different liquidity positions even among companies operating within the same broad sector. Consumer goods companies may particularly experience differences in working capital requirements because their operations involve continuous purchasing, production, distribution, and sales activities.

Effect of Profitability (ROA) on Liquidity (CR)

The hypothesis testing results confirm that profitability, measured by ROA, has a positive and significant effect on liquidity, measured by CR. The positive coefficient of 0.083, t-value of 24.571, and significance level below 0.001 provide statistical evidence supporting this relationship. Furthermore, the R^2 value of 0.797 indicates that ROA statistically accounts for 79.7% of the variation in CR within the observed sample.

The positive relationship suggests that companies with greater effectiveness in generating profits from their assets tend to have stronger liquidity positions. Profits generated through business operations can increase internally generated funds and potentially strengthen current assets available for meeting short-term obligations (Kasmir, 2019). This mechanism provides a financial link between profitability and liquidity because earnings can increase the resources available to support working capital and current liabilities.

The relationship can also be explained through the financing of daily operating activities. Consumer goods companies require continuous funds to maintain inventories, finance receivables, purchase production inputs, and settle short-term operating obligations. When asset utilization generates sufficient earnings, internally generated funds may reduce the dependence on external short-term financing and provide greater flexibility in managing current obligations.

The positive effect does not mean that all profits are automatically converted into liquid assets. Management may allocate earnings toward capital expenditure, business expansion, debt repayment, dividend distribution, or other strategic activities. Consequently, the effect of profitability on liquidity depends partly on how management allocates the financial resources generated by the company.

The findings are consistent with Tahu et al. (2022) and Ferli et al. (2021), who reported a positive and significant relationship between profitability and liquidity. The present findings also support Pratiwi et al. (2025), who identified a positive relationship between profitability and liquidity among consumer goods companies. The similarity with Pratiwi et al. (2025) is particularly relevant because both studies examine companies within the consumer goods setting, although the observation periods and research models may differ.

The findings differ from Andre et al. (2024), who reported that financial variables do not always produce significant relationships under particular research conditions. This difference may be related to variations in research objects, observation periods, sample characteristics, and model specifications. The present study focuses on consumer goods companies during 2023–2025, whereas differences in business characteristics and financial policies across research settings may influence how profitability is reflected in liquidity.

The relationship between profitability and liquidity may also be viewed as a potentially interconnected financial condition rather than a completely isolated relationship. Sany and Yonatan

(2023), for example, found that liquidity was significantly related to profitability among Indonesian retail companies. Their study examined the relationship in the opposite direction, from liquidity to profitability, while the present study examines profitability to liquidity. The two findings indicate that profitability and liquidity can be financially interconnected, although the direction and magnitude of the relationship may depend on the research model and characteristics of the companies examined.

The R^2 value of 0.797 indicates relatively high explanatory power for a model containing one independent variable. This result should be interpreted cautiously because the CR values range from 0.1016 to 14.3136, indicating substantial differences in liquidity among the sampled companies. The firm-year structure, consisting of 52 companies observed over three years, may also reflect firm-specific financial characteristics that persist across observations. Extreme CR values may contribute to the strength of the estimated relationship, although observations were retained because they represented actual financial statement values rather than data-entry errors.

From a managerial perspective, the findings indicate that effective asset utilization may contribute to maintaining liquidity. Companies need to balance the generation of profits with appropriate working capital allocation so that earnings can support operational liquidity. A high profitability level alone should not be regarded as sufficient to ensure strong liquidity because the final liquidity position also depends on how financial resources are managed.

The findings should be interpreted within the scope of the sampled consumer goods companies and the 2023–2025 observation period. Other factors, including capital structure, cash flow, company size, inventory management, receivables management, and working capital policies, may also influence CR but are not incorporated into the present model (Ghozali, 2021). Future research may therefore include additional explanatory variables and extend the observation period to obtain a broader understanding of the factors associated with liquidity in the consumer goods sector.

CONCLUSION, IMPLICATION AND LIMITATION

The results indicate that profitability and liquidity among consumer goods companies listed on the IDX during 2023–2025 varied across firm's. Profitability, measured by ROA, has a positive and statistically significant effect on liquidity, measured by CR, with a significance level of <0.001 . This finding indicates that more effective asset utilization in generating profits is associated with stronger liquidity positions. The practical implication is that management should maintain effective asset utilization and carefully manage cash, receivables, inventories, and working capital. Investors may consider ROA together with CR and other fundamental financial indicators when evaluating company performance. These implications should be interpreted cautiously because the study uses only one independent variable and a three-year observation period. This study is limited to consumer goods companies and repeated firm-year observations during 2023–2025. Future research may include additional variables such as solvency, operating cash flow, working capital turnover, and firm size, extend the observation period, and apply panel-data regression to provide more comprehensive results.

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