e-ISSN 2716-3148 (media online)
Journal Research of Accounting (JARAC)
Vol. 7 No. 2 June 2026: 204-213

THE EFFECT OF PROFITABILITY, LIQUIDITY, SOLVABILITY AND ACTIVITIES ON CORPORATE VALUES IN REGISTERED FOOD AND BEVERAGE COMPANIES ON THE INDONESIAN STOCK EXCHANGE

Lusia Klau Dos Reis Araujo[1*]
Ni Luh Putu Sri Purnama Pradnyani[2]
Luh Diah Citraresmi Cahyadi[3]

Dhyana Pura University, Indonesia[1,2,3]
*Corresponding author : 22111501009@undhirabali.ac.id

ABSTRACT

This study examines the impact of financial ratios specifically profitability, liquidity, solvability, and activity on firm value in the food and beverage sector listed on the Indonesia Stock Exchange (IDX) during 2021–2024. Amid economic volatility and rupiah depreciation, which significantly increased production costs due to imported raw materials, this research addresses how investors respond to financial signals in valuing companies. Using a quantitative approach, secondary data were collected from annual financial reports of 29 selected firms, resulting in 51 valid observations after data cleaning. Data were analyzed using multiple linear regression, preceded by classical assumption tests. The results show that profitability and activity have a significant positive effect on firm value, while solvability exerts a significant negative effect, and liquidity has no significant influence. These findings support Signaling Theory, indicating that only financially relevant and contextually credible information, such as operational efficiency and prudent leverage is perceived as strong signals by the market. This study contributes theoretically by reinforcing signaling mechanisms in emerging markets under macroeconomic stress, and practically by guiding corporate managers to prioritize asset efficiency and moderate debt levels to enhance firm value, while offering investors a refined framework for fundamental analysis in the food and beverage industry.
Keywords: Firm Value, Profitability, Liquidity, Solvability, Activity, Signaling Theory

I. INTRODUCTION

Publicly traded companies primarily aim to maximize their value to improve shareholder welfare (Retno & Wuri, 2024). Corporate value reflects investors' perceptions of the company's ability to generate future profits (Robbaniy & Ardini, 2024). In this context, financial information published by a company serves as a signal to the market. According to Signaling Theory, financial ratios such as profitability, liquidity, solvability, and activity are important communication tools that help investors assess a company's quality and prospects (Habsari & Susilo, 2024).(Thoha & Hairunnisa, 2022)

The food and beverage sector is one of the main pillars of the Indonesian economy because it is defensive, its demand is relatively stable even in uncertain economic conditions (Listiaji & Molnár, 2025). However, this sector is highly vulnerable to fluctuations in the rupiah exchange rate, given its high dependence on imported raw materials such as sugar (100%), milk (80%), soybeans and salt (70% each) (Lukman, 2024). The weakening of the rupiah since mid-2023 to reach Rp16,500 per US dollar in early 2024 has burdened production costs, suppressed profit margins, and had a direct impact on the company's financial performance, as experienced by PT Indofood CBP Sukses Makmur Tbk which experienced a 12.8% decline in net profit in the third quarter of 2025 (Adventy, 2025).

In such situations, financial ratios become important indicators for the market in assessing a company's resilience and prospects. Profitability, as measured by Return on Assets (ROA), reflects a company's efficiency in generating profits from its assets (Panuluh et al., 2024). (Laksmi & Apriliyasari, 2025). Liquidity, as measured by the Current Ratio (CR), indicates a company's ability to meet short-term obligations (Febriansyah, 2022). Solvability represented by the Debt to Equity Ratio (DER), illustrates the long-term funding structure and bankruptcy risk (Leony & Dama, 2023). Meanwhile, activity, as measured by Total Asset Turnover (TATO), reflects the efficiency of asset utilization to generate revenue (Erine & Pranjoto, 2022).

In such contexts, financial ratios serve as critical indicators for market participants in evaluating a firm’s financial resilience and future prospects. Profitability, proxied by ROA, captures the efficiency with which a company generates earnings relative to its total asset base (Sekar Fitri Tengah Panuluh et al., 2024). (Laksmi & Apriliyasari, 2025). Liquidity, measured by the CR, reflects the firm’s capacity to fulfill its short-term liabilities using current assets (Febriansyah, 2022). Solvability, operationalized through the DER, provides insight into the long-term capital structure and the associated risk of financial distress or bankruptcy (Leony & Dama, 2023). Concurrently, operational efficiency is gauged by TATO, which indicates how effectively a company utilizes its asset base to generate sales revenue (Erine & Pranjoto, 2022). Collectively, these ratios function as key financial signals that inform investor judgment and market valuation.

However, previous empirical findings have shown inconsistent results. For example, one (Salma & Triyonowati, 2022)study found that profitability and solvability have a positive effect on firm value, while liquidity has no significant effect. On the other hand, (Novitasari, 2025)another study reported that liquidity and solvability have a negative effect, while activity has no effect. This inconsistency indicates that the influence of financial ratios on firm value is highly dependent on the sectoral context, observation period, and specific macroeconomic conditions.

Based on the aforementioned background, this study formulates the following research question: To what extent do profitability, liquidity, solvency, and activity individually influence the firm value of food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period? The study offers both theoretical and practical contributions. Theoretically, it reinforces the applicability of Signaling Theory within the Indonesian food and beverage sector by providing empirical evidence on the varying degrees to which financial ratios function as credible signals in shaping market perceptions. Practically, the findings offer strategic insights for corporate management in optimizing financial performance to enhance firm value, while also serving as a reference for investors in conducting fundamental analysis and making informed investment decisions in a volatile macroeconomic environment.

II. LITERATURE REVIEW

2.1 Signaling Theory

Signaling Theory was first put forward by Spence (1973) in labor market context work, but then adopted in a way wide in financial and accounting literature to explain how internal parties of a company (management) send information to party external (investors) to reduce information asymmetry. Financial value in context This make financial ratios such as profitability, liquidity, solvability, and activity functioning as signal that reflects internal company quality (Thoha & Hairunnisa, 2022); (Habsari & Susilo, 2024). Positive signals such as high profits or low debt expected to attract investor interest, increase request shares, and ultimately push increase mark company.

2.2 Company Values

Company values is representation of market perception of the company's capabilities in create future cash flows (Hanafi, 2019). Company value is measured using Price to Book Value (PBV), which is the ratio between market price per share to book value per share. PBV > 1 indicates that the market provides valuation moretall than mark accounting, which is generally reflect positive expectations towards growth, brand, loyalty customers, or intangible assets other (Brigham & Houston, 2021); (Robbaniy & Ardini, 2024).

2.3 Profitability

Profitability describes efficiency company in generating profits from all owned assets. The profitability ratio is measured through ROA. A high ROA show management able to optimize assets to generate net profit, which becomes positive signal for investors regarding operational performance and prospects term long (Sekar et al., 2024);(Laksmi & Apriliyasari, 2025).

2.4 Liquidity

Liquidity reflects the company's ability to fulfill its obligations term short Using current assets. The ratio used is the CR. Although important for operational continuity, CR is often considered less informative. in long-term assessment long Because nature term short and does not directly reflect profitability or efficiency (Febriansyah, 2022); (Sulistiana & Heru, 2022).

2.5 Solvability

Solvability measure the company's ability to meet obligations term long, measured by the DER. A high DER signify heavy reliance on debt, which can increase risk bankruptcy especially in condition fluctuations mark exchange rate such as rupiah (Leony & Dama, 2023)depreciation; (Erine & Pranjoto, 2022). On the other hand, low DER reflect healthy and prudent capital structure.

2.6 Activity

Activity describes efficiency company in utilizing assets to generate income. The ratio used is TATO. TATO is high show rapid asset turnover, which reflects effective and adaptive operational management to pressure external (Retno & Wuri, 2024); (Erine & Pranjoto, 2022).

e-ISSN 2716-3148 (media online)
Journal Research of Accounting (JARAC)
Vol. 7 No. 2 June 2026: 204-213

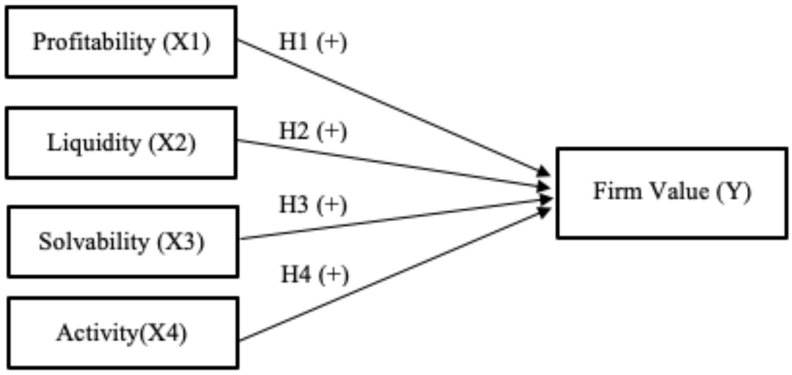

Figure 1.
Framework Conceptual

Based on the theoretical review and conceptual framework developed in this study, the following hypotheses are proposed:

H_1 : Profitability has a positive effect on firm value
H_2 : Liquidty has a positive effect on firm value
H_3 : Solvability has a positive effect on firm value
H_4 : Activity has a positive effect on firm value

III. RESEARCH METHOD

This research using secondary data obtained from annual financial reports company subsector Food and beverage companies listed on the Indonesia Stock Exchange (IDX) for the 2021–2024 period. Data was accessed through the official IDX website (www.idx.co.id) and annual reports. public companies in a way open. The initial population of the study was 83 companies, then use technique purposive sampling for determination sample, so that 29 companies were obtained as sample. The techniques data collection is done through studies literature and financial report documentation. Data analysis using quantitative approach with multiple linear regression which is first carried out by testing the assumptions classical tests which include normality, multicollinearity, autocorrelation, and heteroscedasticity tests, as well as using SPSS as tool data processor.

IV. RESULT AND DISCUSSION

4.1 Multiple Regression Analysis

Table 1
Multiple Linear Regression Test Results
Coefficients[a]

Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	0.225	0.330	0.682	0.498
	PROFITABILITAS	0.107	0.038	2.774	0.008
	LIKUIDITAS	0.001	0.003	0.427	0.671

	SOLVABILITAS	-0.012	0.005	-2.237	0.030
	AKTIVITAS	0.007	0.003	2.522	0.015
	Determination Coefficient and F Test				
	R	R Square	Adjusted R Square	F	Sig.
	0.622[a]	0.387	0.333	7.249	0.000[b]

a. Dependent Variable: NILAI PERUSAHAAN

Source: Data processed by SPSS, 2025

Based on results of table 4, then the equation is obtained multiple linear regression as follows:

$$Y = 0{,}225 + 0{,}107\,X_1 + 0{,}001\,X_2 - 0{,}012\,X_3 + 0{,}007\,X_4 + e$$

The explanation of each component is as follows

1. Constant (a) = 0.225
   Constant value show estimate mark company when all independent variables has a value of zero. Significance value constant of 0.498 (> 0.05) indicates that constant not significantly statistics.
2. Profitability ($B_1 = 0.107$; Sig. = 0.008)
   Positive and significant coefficient of 0.008 < 0.05) indicates that every increase One units on profitability will increase mark company of 0.107 units, assuming other variables remain constant.
3. Liquidity ($B_2 = 0.001$; Sig. = 0.671)
   Although coefficient positive value, value significance of 0.671 > 0.05 indicates that every increase One units of liquidity will increase mark company of 0.001 units, assuming other variables remain constant.
4. Solvability ($B_3 = -0.012$; Sig. = 0.030)
   Negative and significant coefficient of 0.030 < 0.05 indicates that every increase One unit on solvability will lower mark company of 0.012 units, assuming other variables are constant.
5. Activity (B = 0.007; Sig. = 0.015)
   Positive and significant coefficient of 0.015 < 0.05 indicates that every increase One units in activities will increase mark company of 0.007 units, assuming other variables remain constant.

4.2 Coefficient Determination Test (R^2)

Based on table 1, the R value is 0.622, and the Adjusted R Square is 0.622. of 0.333 or 33.3%. The Adjusted R Square result of 33.3% indicates that 33.3% of the value companies are influenced by profitability, liquidity, solvability and activity, while the rest 66.7 % (1-0.333) is influenced by other factors outside this research namely condition macroeconomics or corporate governance

4.3 Model Feasibility Test (F Test)

Based on Table 6, the $F_{statistic}$ is 7.249, which exceeds the critical F_{value} of 2.574 at the 5% significance level, with a p-value of 0.000 (< 0.05). This result leads to the rejection of the null hypothesis (H_0) and the acceptance of the alternative hypothesis (H_a). Consequently, it can be concluded that profitability, liquidity, solvability, and activity collectively exert a statistically significant simultaneous influence on firm value.

4.4 Hypotesis Test (t-Test)

Based on the regression results presented in Table 4, hypothesis testing reveals the following: the profitability variable yields a $t_{statistic}$ of 2.774, which exceeds the critical t_{value} of 2.013 at the 5% significance level ($p = 0.008 < 0.05$). Consequently, H_0 is rejected and H_a is accepted, indicating that profitability exerts a statistically significant positive effect on firm value. In contrast, the liquidity variable produces a $t_{statistic}$ of 0.427 ($p = 0.671 > 0.05$), which is below the critical threshold; thus, H_0 is not rejected, implying that liquidity has no significant influence on firm value.

The solvability variable demonstrates a $t_{statistic}$ of –2.237 ($p = 0.030 < 0.05$), which is statistically significant in absolute terms and exceeds the critical t_{value}. Therefore, H_0 is rejected in favor of H_a, confirming a significant negative relationship between solvability and firm value. Finally, the activity variable records a $t_{statistic}$ of 2.522 ($p = 0.015 < 0.05$), surpassing the critical value and leading to the rejection of H_0. This affirms that activity has a statistically significant positive effect on firm value

4.5 Discussions

The Influence of Profitability on Company Value

The findings indicate that profitability exerts a positive and significant effect on firm value, demonstrating that the market remains responsive to profit performance even amid economic instability. In the food and beverage sector, particularly susceptible to input cost volatility due to rupiah depreciation a high ROA reflects not only operational efficiency but also the strategic resilience of management in navigating external pressures. ROA serves as a credible indicator because it measures the company's capacity to generate earnings from its asset base, thereby capturing sustainable operational performance rather than short-term profits influenced by non-operational or transitory factors. This finding is in line with research (Thoha & Hairunnisa, 2022) and (Retno & Wuri, 2024), which states that profitability, especially that derived from core activities which are signal main in investment assessment. ROA is not stand alone, will but its significance reinforced by supporting variables such as activity and solvability, which together form a holistic picture of health financial company. Combination This increase credibility of the information conveyed to the market, thus strengthening investor response.

Theoretically, the results This is in line with Signaling Theory, which explains that financial information functions as a mechanism to reduce information asymmetry between management and investors. High ROA is sent as good news, signifies that company managed in a way efficient and has strong growth prospects. Signal This help investors differentiate company quality tall from low, so pushing more informed investment decisions.

The Effect of Liquidity on Company Value

The results indicate that liquidity has no significant effect on firm value, suggesting that the market does not regard short-term debt repayment capacity as measured by CR, as a primary criterion in investment evaluation within the food and beverage sector. Although CR reflects short-term operational stability, investors tend to perceive it as a defensive and less informative indicator regarding long-term growth prospects. This aligns with the principles of Signaling Theory, which posits that only financially relevant information with high predictive value is recognized and acted upon by the market as a credible signal. Consequently, liquidity, despite its importance for operational continuity, lacks sufficient signaling power to influence investor valuation in this context. This finding is in line with research (Leony & Dama, 2023) and (Novita & Edastami, 2024)which states that CR has power prediction weak against market valuation because its long -term nature short and does not represent capacity company in create mark sustainable. According to Signaling Theory, financial information must be able to reduce information asymmetry between management and investors; however, liquidity fail functioning as strong signal because no reflect operational efficiency or growth strategy are two more important things valued by investors in context uncertainty economy such as the depreciation of the rupiah. Meanwhile, the level excessive liquidity can even be interpreted negatively by the market, because hinting existence idle assets or idle funds that are not utilized for productive investment. This condition is in Signaling Theory instead sent as bad news, because show inefficiency allocation source power. Investors are more responsive to signals that reflect quality managerial long term, such as asset efficiency (activity) and prudent capital structure (solvability) which are directly related to resilience and profitability sustainable.

The Influence of Solvability on Company Value

The findings reveal that solvency exerts a significant negative effect on firm value, indicating that the market responds adversely to capital structures heavily reliant on debt particularly within the food and beverage sector, which is highly exposed to external economic fluctuations. A high DER is not interpreted as an aggressive growth strategy but rather as a signal of heightened financial risk, especially given that a substantial portion of corporate debt in this sector is denominated in foreign currency. The depreciation of the rupiah has significantly amplified the burden of foreign-denominated liabilities, rendering firms with elevated DER more vulnerable to cash flow constraints and potential default. Consequently, investors adjust their expectations downward, leading to a reduced share valuation as a precautionary response to anticipated long-term financial risk.
This finding is in line with research (Febriansyah, 2022), (Salma & Triyonowati, 2022), and (Dwi et al., 2023), that state that leverage tall negatively impact the value companies, especially in condition uncertainty macroeconomics. For sectors that are highly dependent on imported raw materials, DER is not only reflect funding structure, but also exposure to risk exchange rate. Investors view DER as indicator crucial in evaluate long-term financial resilience long company. High DER in framework Signaling Theory works as bad news signal. Investors, as recipient signals, interpreting excessive debt as sign potential limitations cash flow or withdrawal risks that are not under control. Signal This reduce confidence in prospects company, thus encouraging decline request shares and a decrease in PBV. On the other hand, a balanced capital structure with a dominance of moderate equity and debt are sent as signal stability and prudence financial, which is precisely increase market confidence.

The Influence of Activities on Company Value

The results indicate that activity has a significant positive effect on firm value, confirming that operational efficiency constitutes a cornerstone of market valuation

in the food and beverage sector. Amid rupiah depreciation, which compresses profit margins through rising import costs, a high TATO reflects a company's ability to maximize revenue from its existing asset base by optimizing production processes, managing inventory effectively, and streamlining distribution networks. For investors, TATO transcends its role as a mere technical financial ratio, it serves as tangible evidence of managerial resilience and operational adaptability in the face of external economic pressures. This reinforces the perception that firms capable of sustaining high asset utilization under adverse conditions possess stronger competitive positioning and more reliable long-term growth prospects. This finding is in line with research (Retno & Wuri, 2024) which states that activity has a positive and significant effect on value companies, especially in period uncertainty economy. Investors tend to more trust real operational indicators such as TATO compared to vulnerable profits distorted by non-operational fluctuations (e.g. difference exchange rate or price commodities). In a sector that is highly dependent on imports, the ability to maintain TATO is high become strong signals about adaptation strategic and allocation source efficient power, two qualities key in long-term investment long.
Deep TATO framework Signaling Theory functioning as good news signal that helps reduce information asymmetry between management and investors. In contrast to profitability, which can be influenced by policy accounting or factors temporary, TATO reflects quality sustainable and difficult to manipulate managerial signals. This show that company No not only have assets, but also be able to convert it in a way consistent become current income

V. CONCLUSION AND RECOMMENDATION

This study concludes that profitability and activity exert a statistically significant positive influence on firm value, whereas solvability demonstrates a significant negative effect, and liquidity shows no significant impact. This finding show that investors in the food and beverage sector more respond signal that reflects operational efficiency (ROA and TATO) and prudence in capital structure (low DER), especially in condition Rupiah depreciation which has increased foreign currency debt. This result support Signaling Theory, where only relevant, credible, and contextual financial information is responded to by the market as strong signal in investment assessment.

Based on these findings, management it is recommended to increase asset efficiency, maintaining profitability, and avoiding excessive debt especially in foreign exchange. For further research, it is suggested expand period observations, adding moderating variables such as corporate governance or inflation, and comparing market responses across defensive sectors to deepen understanding of investor valuation mechanisms in emerging markets such as Indonesia.

REFERENCES

Adventy, A. (2025, October 11). ICBP under pressure across all business lines: Challenges in margins and foreign exchange losses. *Bloomberg Technoz*. https://www.bloombergtechnoz.com/detail-news/90024/icbp-tertekan-di-semua-lini-tantangan-di-margin-dan-rugi-kurs

Brigham, E. F., & Houston, J. F. (2021). *Fundamentals of Financial Management* (15th ed.). Cengage Learning.

Dwi Listiani, E., Bahrun Ni, Z., & Jurnal Ilmiah Keuangan dan Perbankan, F. (2023). The effect of capital structure, profitability, liquidity, and leverage on firm value in food and beverage companies listed on the Indonesia Stock Exchange. *Jurnal Fidusia, 6*(1).

Febriansyah, J. (2022). The effect of debt policy, profitability, and liquidity on firm value in food and beverage sub-sector companies listed on the Indonesia Stock Exchange. *Ekonomi dan Ekonomi Syariah, 5*(2), 1942–1950.

Habsari, V. N., & Susilo, D. E. (2024). The effect of profitability, liquidity, and firm growth on firm value: A study of manufacturing companies in the food and beverage sector listed on the Indonesia Stock Exchange for the 2020–2022 period. *Jurnal Ilmiah Global Education, 5*(2), 1833–1843. https://doi.org/10.55681/jige.v5i2.2844

Hanafi, M. (2019). *Financial statement analysis* (6th ed.). BPFE-YKPN.

Laksmi, A. C., & Apriliyasari, A. (2025). The impact of liquidity, solvency, profitability, and activity on the value of food and beverage manufacturing companies listed on the Indonesia Stock Exchange for the 2019–2023 period (Vol. 3).

Leony, I., & Dama, L. (2023). Analysis of the effects of profitability, solvency, liquidity, and firm size on firm value: A study of food and beverage manufacturing companies listed on the Indonesia Stock Exchange during 2019–2022. *Multidisiplin, 2*(1), 50–60.

Listiaji, P., & Molnár, G. (2025). Integrating computational thinking into teacher education: A systematic literature review. *International Journal of Educational Research, 133*. https://doi.org/10.1016/j.ijer.2025.102682

Lukman, A. (2024, June 12). With most raw materials imported, the food and beverage industry is concerned if the rupiah continues to weaken. *Tempo*. https://www.tempo.co/ekonomi/mayoritas-bahan-baku-impor-industri-makanan-dan-minuman-khawatir-jika-rupiah-terus-melemah-47329

Novita, V. A., & Edastami, M. (2024). The effect of profitability, liquidity, solvency, and activity on the value of food and beverage companies listed on the Indonesia Stock Exchange. *Jurnal Mahasiswa Humanis, 4*(3), 998–1013. www.ojk.go.id

Novitasari, E. (2025). The implementation of the Wordwall-based Team Games Tournament (TGT) learning model to improve student participation and learning outcomes at SMKN 3 Takalar. In *JIMU: Jurnal Ilmiah Multi Disiplin* (Vol. 03). JIMU.

Nuur Farid Thoha, M., & Hairunnisa, L. (2022). The effect of profitability, solvency, liquidity, and activity on firm value in food and beverage manufacturing sub-sector companies listed on the Indonesia Stock Exchange for the 2016–2020 period. *International Journal of Social and Management Studies (IJOSMAS), 03*(04), 94–104. http://www.ijosmas.org94

Retno Sari, & Handayani, W. S. (2024). The effect of liquidity, profitability, activity, leverage, and institutional ownership on firm value: An empirical study of food and beverage sub-sector companies listed on the Indonesia Stock

Exchange for the 2019–2023 period. *Jurnal Penelitian Ilmu Ekonomi dan Keuangan Syariah, 2*(3), 204–224. https://doi.org/10.59059/jupiekes.v2i3.1622

Robbaniy, R. F., & Ardini, L. (2024). The effect of profitability, capital structure, and liquidity on firm value in food and beverage companies listed on the Indonesia Stock Exchange. *Ilmu dan Riset Akuntansi, 13*(3), 1–20.

Salma, S., & Triyonowati. (2022). The effect of profitability, liquidity, and solvency on firm value in food and beverage companies listed on the Indonesia Stock Exchange. *Ilmu dan Riset Manajemen, 10*(10), 1–18.

Sekar Fitri Tengah Panuluh, Firdaus, F., Suwardi, S., Sabrina, S. V. A., Devi, D. S. A., Ratnasari, E., & Rafi'ah, S. A. (2024). The effect of profitability, liquidity, and firm size on firm value in food and beverage sub-sector companies listed on the Indonesia Stock Exchange for the 2018–2021 period. *Jurnal Manajemen Bisnis Era Digital, 1*(2), 22–32. https://doi.org/10.61132/jumabedi.v1i2.54

Sulistiana, E., & Heru, G. (2022). The effect of profitability, solvency, liquidity, activity, and firm size on firm value in food and beverage sub-sector companies listed on the Indonesia Stock Exchange during 2016–2020. *Kajian Ilmu Manajemen, 2*(1), 17–25.