

Conference Paper

The Effect of Liquidity Ratios, Solvency and Activities on Financial results as measured by ROE in Manufacturing Companies in the Food and Beverage Sub-sector listed on the IDX for the 2017-2019 Period

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ABSTRACT

The goal of this study is to determine the impact on financial results of liquidity ratios, solvency ratios, and operation ratios as calculated by roe in manufacturing sub-sector food and beverage companies listed on the IDX 2017-2019. Both financial reports in the fringe and liquor sub-sector were for the population in this study, while the sample in this study was financial reports in the form of a balance sheet and spiritual profits for 3 years (2017-2019). The data collection methodology used in this analysis is recorded by the collection of data or documents collected by accessing the website of the Indonesian Stock Exchange (www.icx.co.id). The results of this study show that the liquidity y ratio variable (X I) partially does not have a substantial impact on financial results (Y) with a significant value of 0,869 > 0,05. With a significant value of 0.6 I 7 > 0.05, the solvency ratio variable (X2) has no significant impact on financial results. With a significant value of 0.423 > 0.05, the activity ratio variable does not have any significant impact on financial results

Keywords: Ratio of liquidity, solvency, operation, and financial results

Introduction

Manufacturing is a secondary needs sector that is interconnected with primary needs. Therefore, manufacturing companies have a very big influence on the survival of living things around the world. Especially in the consumer goods industry sector, where the food and beverage sub-sector is a mandatory requirement for every living thing around the world. The food and beverage sector from 2017 to 2019 has experienced an increase in economic growth in Indonesia. This sector is the largest sector contributing to the industrial sector, amounting to 6.35% of the National GDP (Rihanto, 2019) "Food and Beverage Sector Contributes Largest in Industry. Kompas.com" Accessed 25 November 2020.

Financial reports as a measuring tool for assessing the financial position and also as a testing tool. The value contained in financial statements must change over time, can experience an increase or decrease, and usually, these changes can affect decision-making for people who have interests.

An important point to find out the information needed for decisions made by investors is the company's performance. The tool to find out whether the company is experiencing development or not is to know the company's performance. Financial performance is a reflection of the company's strength in the form of numbers from data in the form of financial reports that are presented by the company.

Knowing the company's financial condition is an important thing that must be considered. The company's financial condition consists of a balance sheet, income statement calculations, and other financial reports. From the analysis of balance sheet items, you can know about its financial position, while from the profit and loss analysis you can find out the results or a picture of the company's development. To determine whether or not the financial condition of a company is used, analysis of financial ratios includes liquidity ratios, solvency ratios, activity ratios, and profitability ratios (Kasmir, 2008).

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The consumer goods industry sector is one company that has a great influence on the Indonesian economy every year. There are many subsectors in the consumer goods industry, including the food and beverage sub-sector, the cigarette sub-sector, the pharmaceutical sub-sector, the cosmetics, and household goods sub-sector, and the household appliances sub-sector.

The sub-sector used in this study is the food and beverage sub-sector which is registered in IDX to find out how the financial performance contained in the food and beverage sector acts as a sub-sector that has a very large influence on the economy. To see how the financial performance contained in food and beverages can act as a sub-sector that has or does not affect the economic industry.

Literature Review

Liquidity ratio

Liquidity Ratio is the ratio for showing a company's willingness to settle the debt or in short, obligations. It is possible to measure these ratios using the source of working capital statistics, namely current assets and current liabilities (Harahap, 2012).

Current Ratio:
$$\frac{\text{Current assets}}{\text{Current Debt}}$$

Solvency ratio

Munawir's concept of solvency (2007) is the ratio that indicates a company's capacity to satisfy its financial obligations if the company is liquidated, both in the short term and in the long term.

Debt To Equity Ratio:
$$\frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Activity ratio

According to Kasmir (2008), total assets turnover is a ratio that is usually used to measure the turnover of all assets in a company and can measure how much sales can be obtained through each rupiah of assets. Therefore, the greater the probability of this ratio, it means that the better the assets acquired or rotated in generating profit. to realize good efficiency in the use of all assets in generating sales. Asset Turnover (Total Assets Turnover):

Total Assets Turnover:
$$\frac{\text{Sales}}{\text{Total assets}}$$

Financial results

Financial results are a company's ability to manage and control its resources. Financial results can also be used as a benchmark in assessing the company properly and correctly following applicable rules and regulations. The level of measurement in knowing the performance of a company is by using the liquidity ratio, solvency ratio, and activity ratio. The intention is to know the conditions in terms of income, liabilities, and capital owned by the company (Ikatan Akuntan Indonesia. 2007).

Financial results are measured by:

ROE:
$$\frac{\text{Profit after tax}}{\text{Total equity}}$$

Hypothesis

The effect of liquidity ratios on financial results

Financial results is an analysis that is useful for seeing the degree to which a company has carried out by applying the rules for implementing finance properly (Fahmi, 2013). The relationship between the Liquidity Ratio and Financial results is that both are used to measure the company's profitability and

the liquidity ratio also shows the level of working capital availability of a company in obtaining the required profit in operational activities. According to Ruwanti (2011) the study, it is known that the liquidity ratio to financial results has a significant effect.

H1: Liquidity ratio has a significant effect on financial results

The effect of solvency ratio on financial results

Financial results are an analysis that is useful for seeing the extent to which the company has carried out by applying the rules for implementing finance properly (Fahmi, 2013). The relationship between the solvency ratio and financial results is to find out whether a company's or corporation to pay its long obligations can stabilize the company's profits and make its financial results remain stable (Siallagan & Ukhriyawati, 2014) it is known that the solvency ratio to financial results does not have a significant effect.

H2: Solvency Ratio has a significant effect on financial results.

The effect of activity ratios on financial results

The activity ratio is the ratio for the company to assess the company's ability to carry out daily activities or the company's ability to sell, collect, receive and utilize assets owned (Munawir, 2007: 204). Financial results is an analysis that is useful to see the extent to which the company has implemented the rules of implementing finance properly and correctly (Fahmi, 2013). So, the relationship between activity ratios and financial results is to measure the ability of a company to make sales, receivables, or the use of these assets that can generate or stabilize profits or the company's financial results. Research (Esthirahayu et al., 2014) stated that the activity ratio affects financial results.

H3: Activity ratio has a significant effect on financial results.

Material and Methods

Quantitative type research, namely research data in the form of numbers with a scientific approach to managerial and economic decision making. This study uses a ratio scale measurement consisting of the ratio of liquidity, solvency, and activities. The data source used in this study is secondary data in the form of documents obtained from the IDX / Indonesia Stock Exchange via the internet which is related to this research.

The population in this study of food and beverage subsector manufacturing companies published for three years from 2017-2019 totaled 78 companies. The sampling technique was purposive sampling based on certain criteria, amounting to 18 samples. The criteria used are 1) Manufacturing companies in the consumer goods industry sector. 2) Manufacturing companies in the consumer goods market, which are contained in the food and beverage subsector. 3) Manufacturing in the food and beverage subsector that publishes their full financial statements from 2017 2019. 4) outlier data.

Analysis of the data in this study using descriptive analysis, multiple linear, classical assumption test with normality test, autocorrelation test, multicollinearity test, and hypothesis test with t-test. Data analysis in this study used descriptive qualitative method using descriptive analysis, multiple linear, classical assumption test with normality test, autocorrelation test, multicollinearity test, and hypothesis testing with t-test.

Results and Discussion

Table 1. Descriptive statistical analysis results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
	Statistics	Statistics	Statistics	Statistics	Statistics
Liquidity	18	.26	13.10	3.8311	3.66982
Solvency	18	.22	10.27	3.0047	3.04823
Activity	18	.07	2.49	.4619	.53386
Financial results	18	-.08	.26	.1078	.09612
Valid N (listwise)	18				

Based on the results of the table above, it shows as many as 18 samples in this study during the 2017-2019 period. Based on the calculation results above, the minimum liquidity value is 0.26 and the maximum liquidity value is 13.10 with an average value of 3.8311 and the default storage is 3.66982. The solvency variable has a minimum value of 0.22 and a maximum solvency value of 10.27 with an average value of 3.0047 and standard storage of 3.04823.

The Activity variable has a minimum value of 0.07 and a maximum Activity value of 0.26 with an average value of 0.4619 and the default storage is 0.53386. The Financial results variable has a minimum value of -0.08 and a maximum financial results value of 2.49 with an average value of 0.1078 and its standard storage is 0.9612.

Table 2. Multiple regression analysis

Coefficients ^a		
Model	Unstandardized Coefficients	
	B	Std. Error
(Constant)	.072	.051
1 Liquidity	-.024	.058
Solvency	.036	.070
Activity	.042	.051

a. Dependent Variable: Financial results

Based on the results of the table above, the regression equation is obtained as follows:

$$Y = 0.72 + -0.24 X_1 + 0.036 X_2 + 0.042 X_3$$

From the above equation it can be interpreted as follows:

1. The constant value is 0.72, which means that if the liquidity ratio, solve ratio, and activity ratio are 0, then the company's profit will increase by 0.72.
2. The regression of the liquidity ratio variable (X₁) has a value of -0.24 which means that if the liquidity ratio decreases from the profit unit, it means that the financial results have decreased by -0.24.
3. Variable Regression Solvency Ratio (X₂) has a value of 0.036, if the Solvency Ratio has an increase in profit, it means that financial results have increased by 0.036. Activity Ratio Variable Regression (X₃) has a value of 0.042, which means that if the Activity Ratio has an increase in profit, it means that financial results have increased by 0.042.

Table 3. Normality test

One-Sample Kolmogorov-Smirnov Test

Financial results	
Kolmogorov-Smirnov Z	.487
Asymp. Sig. (2-tailed)	.972

- a. Test distribution is Normal.
b. Calculated from data.

Based on the results of the value above the Kolmogorov-Smirnov value is $0.972 > 0.05$, which means that the residual variables are normally distributed. It was concluded that the values in secondary data collection were normally distributed.

Table 4. Multicollinearity test

Coefficients^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Likuiditas	.013	75.535
	Solvabilitas	.013	75.066
	Aktivitas	.832	1.202

a. Dependent Variable: Financial Result

Based on the results of the table above, it can be seen that multicollinearity occurs that the tolerance value is <0.10 and the VIF value is greater than 10.00.

Autocorrelation test

Table 5. Test runs

Financial results	
Value Test	.13
Cases < Test Value	9
Cases > = Test Value	9
Total Cases	18
Number of Runs	8
Z	-.729
Asymp. Sig. (2-tailed)	.466
a. Median	

Based on the output table above, shows that there is no autocorrelation because of the sig value. equal to $0.466 > 0.05$.

Table 6. T-test

Coefficient		
Model	T	Sig.
(Constant)	1,419	.178
1 Liquidity	-.409	.689
Solvency	.512	.617
Activity	.825	.423

Based on the results of the table above the effect of liquidity ratios on financial performance (X1)

Partial test Based on the table value (t-test) with a sig value of 0, 689 and a value of -0.409, it means that sig 0.689 > 0.05, the liquidity ratio has no significant effect on financial performance partially. This result is in line with Arilaha (2009) which states that the liquidity ratio does not affect financial performance. This is because the high level of liquidity does not determine the level of profit earned by the company.

The effect of solvency ratio on financial performance (X2)

The partial test based on the table value (t-test) with a sig value of 0.617 and a t- the value of 0.512 means that the sig value is 0.617 more than 0.05, so the solvency ratio has no significant effect on financial performance partially. This result is in line with Siallagan and Ukhriyawati (2014) who state that the solvency ratio does not affect financial performance, this can be due to the greater DER of debt originating from the capital, the greater will be used to finance company equity.

The effect of activity ratios on financial performance (X3)

The partial test based on the table value (t-test) with a sig value of 0.423 and a t-value of 0.825 means that the sig value of 0.423 > 0.05 means that the activity ratio has no significant effect on financial performance partially. This result is in line with the research of Nurul and Maswar (2020) which states that the activity ratio does not affect financial performance, this is because the company is unable to manage cash so that turnover is longer, and cannot use these assets to increase profits. This result is in line with the research of Kusoy and Patuh (2020) which states that the activity ratio does not affect financial performance, this is because companies cannot manage cash even though companies in this sector use accounting software that can make electrical and other transactions easily. However, this company cannot manage cash properly so turnover takes longer and cannot use these assets to increase profits

Conclusion

This research was conducted to partially determine what can affect financial results in food and beverage sub-sector companies on the IDX for the 2017-2019 period. The variables used in this study are the variable liquidity ratio (X1), solvency ratio (X2), activity ratio (X3), and financial results (Y).

Based on the output value, it can be concluded that:

1. Partially the liquidity ratio has no significant effect on financial results. Because the result of the t value is - 0.409 and the sig value is 0.689 which means > 0.05.
2. Partially the solvency ratio has no significant effect on financial results. Because the result of the t value is 0.512 and the sig value of 0.617 means more > 0.05.
3. Partially the activity ratio does not have a significant effect on financial results. because the result of the t value is 0.825 and the sig value is 0.423, it means > 0.05

Suggestion

In this study, it is suggested that the previous researchers broaden the object of the company to be researched and hopefully academics can benefit from the results of this research in the future or for investors, hopefully it will be useful as a reference for the results obtained from this research when investing in the future.

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