INFLUENCE OF LIQUIDITY ON PROFITABILITY IN PRIMARY CONSUMER GOODS FOOD AND BEVERAGE SUBSECTOR IN IDX 2016-2021

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ABSTRACT

This study aims to provide empirical evidence regarding the effect of liquidity (Current Ratio, liquidity (Quick Ratio), and liquidity (Cash Ratio) to profitability (ROA). The variables used are independent variables and dependent variables. The independent variables are liquidity (Current Ratio), liquidity (Quick Ratio), and liquidity (Cash Ratio) and the dependent variable is profitability (ROA). This study took data by purposive sampling method in the Food and beverage listed on the IDX-IC Indonesia Stock Exchange (IDX) in 2016-2021, namely 10 companies with a sample of 60. The period of data collection in this sample is 6 years, from 2016- 2021.

The analytical method used is multiple linear regression analysis using SPSS 15 with a significance level (α) of 5%. The results of the study prove that partially the liquidity (Quick Ratio) has a positive and significant effect on profitability (ROA) while the liquidity (Current Ratio) and liquidity (Cash Ratio) have no effect on profitability (ROA). Simultaneous Test concluded that the research model is quite good, which means that the variables liquidity (Current Ratio, Quick Ratio and Cash Ratio) are able to explain the profitability (ROA) variable.

Keywords: *Current Ratio, Quick Ratio, Cash Ratio, and ROA.*

INTRODUCTION

The financial statements used are the statement of financial position (LPK) for liquidity ratios and the income statement (LR) is used to calculate profitability through analysis of financial statements, the company's financial capacity and capability can be known by the directors, as well as being the basis for assessing the performance of directors and company management. One of the companies that want to be researched is the primary consumer goods sector, the food and beverage sub-sector. The food and beverage sub-sector primary consumer goods is a food and beverage company that is very meaningful to the country because of its role for the development and growth of the country to meet the primary needs of its people. Primary consumer goods are primary needs (consumer needs) that are not seasonal or can be purchased at any time so that consumers need them at any time, for example: the company (beverages, food, household products, tobacco).

Food and beverage company more rapidly in Indonesia with the appearance of many companies listed on the Indonesia Stock Exchange. Since the existence of a prolonged crisis, competition between companies is very tight because primary goods are an important industry. Companies in this sector are not so affected by the unfavorable economic situation caused by the Covid-19 pandemic that occurred in 2020. The reason the researchers used a sample of companies in the food and beverage subsector is because the companies with the fastest turnover because every day there are transactions , including the stocks most resistant to crises compared to other sectors, basic needs that are still needed, experiencing growth and an important role in the contribution of income to a country in addition, having a lot of business activities and knowing whether or not to suffer losses so that they get profits

of the company's ability to meet current obligations.

If it is seen from previous research or previous journals, there are inconsistencies in the results of previous studies, so I replicated from Halim (2021), namely the reference from the STIE YKPN library. Based on this explanation, it can be seen that the liquidity used is the current ratio, quick ratio and cash ratio and for profitability using ROA because many researchers or research on this ratio with different results. In previous studies, some differences were found, so that the topic of the influence about liquidity on profitability is interesting to re-examine and liquidity is the easiest to understand. Apart from that, the ratios required by the JSX for publicly listed are these ratios. The distinguishing aspect from previous research is the more recent and more recent six-year period, namely from 2016 to 2021, the object of research and the period when a pandemic occurred from 2019-2020, so researchers are interested in conducting research on "INFLUENCE OF LIQUIDITY ON PROFITABILITY IN PRIMARY CONSUMER GOODS FOOD AND BEVERAGE SUBSECTOR IN IDX 2016-2021".

Problem

Formulation The problem formulation is as follows:

1. Does liquidity (current ratio) affect profitability (ROA) in primary consumer goods in the food and beverage subsector on the IDX in 2016-2021?
2. Does liquidity (quick ratio) affect the profitability (roa) of primary consumer goods in the food and beverage subsector on the IDX in 2016-2021?
3. Does liquidity (cash ratio) affect the profitability (roa) of primary consumer goods in the food and beverage subsector on the IDX in 2016-2021?

Research Objectives

The Objectives of this study are:

1. To analyze and prove the effect of liquidity (current ratio) on profitability (ROA) of primary consumer goods in the food and beverage subsector on the Indonesia Stock Exchange in 2016-2021.
2. To analyze and prove the effect of liquidity (quick ratio) on profitability (ROA) on primary consumer goods in the food and beverage subsector on the IDX in 2016-2021.
3. To analyze and prove the effect of liquidity (cash ratio) on profitability (ROA) on primary consumer goods in the food and beverage subsector on the IDX in 2016-2021.

Benefits of Research

This research is expected to have benefits in the form of:

1. For researchers: think logically, critically in analyzing scientific papers well, can do proof and can apply theory in lectures.
2. For Investors: as a description of the company's financial statements and can be used as an information guide to invest funds in the company.
3. For the Company: to spur in improving its financial performance by testing so that it is used as input in seeing the needs of shareholders.
4. For Other Parties: as information and reference for readers and other researchers who will conduct similar or related research, it is expected to provide better results.

Research Contribution

I replicated from Nur Lathifa Halim with the title "The Effect of Liquidity on Profitability in Manufacturing Companies". In my research, what is different from previous research is the six years that are more recent and more numerous, namely 2016-2021, the object of research and the period when the pandemic occurred starting in 2019-2020 are different. When viewed from previous research or previous journals, there are inconsistencies in the results of previous studies.

THEORITICAL BASIS
Review Theory Overview

A basis used in research to explain the

theories used. In this chapter, the researcher uses several theories, as follows:

The Signaling Theory

Available cash can be used to buy goods as inventory and if the goods purchased by the company with sufficient cash then the supplier will trust the company. If the company is judged to have good liquidity, the company that will buy it as a supplier can trust the company so that it will hand over the goods voluntarily because the company has a good level of liquidity. If the liquidity is bad, the supplier will hesitate to send because they are worried that the company will not be able to pay. Good liquidity suppliers will send goods as much as they want. If the goods are ready to be sold, it will have an impact on profitability which will be higher. A signal for the suppliers believes in providing goods to the company it will affect liquidity so that it becomes good so that when it is ready to be sold it will have an impact on high sales and result in high profitability.

Financial Statements

According to PSAK No. 1 "Financial statements are a structured presentation of the financial position and financial performance of an entity. The objective of financial statements is to provide information about the financial position, financial performance, and cash flows of an entity that is useful to most users of the report in making economic decisions. The financial statements also show the results of management's accountability for the use of the resources entrusted to them."

Other information contained in the notes to the financial statements supports the users of the report because all ratios are in the financial statements and the researcher takes the liquidity ratio in the statement of financial position and the profitability ratio in the income statement.

Liquidity

The liquidity ratio is a measure of the level of payment of company obligations when they are due from outsiders or insiders so that they are used to find out in fulfilling or financing according to Kasmir 2015 in (Nurdiana, 2018). The better the company's ability, the better the level of liquidity for a company organization and vice versa.

Profitability

Profitability as an important basis in assessing the situation of the company's condition by measuring the performance of a company caused by the comparison of profits with assets or capital as a profit producer in Kasmir 2014 in (Jumhana, 2017).

Research Framework

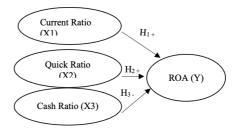Based on the problem formulation that has been described, the research model can be described as follows:

Figure 1. Research Framework

Development Of Hypothesis

Based on the description that has been explained and studies from previous research, there is a research hypothesis. The research hypotheses are:

1) The Effect of Liquidity (Current Ratio) on Profitability (ROA)

Research conducted by Halim (2021), that there is a liquidity relationship, namely the current ratio has a positive and significant influence on profitability (ROA) due to an increase in liquidity, namely the current ratio. make the company liquid so that it gets profits and avoids failure to pay off short-term obligations when they fall due. The high level of liquidity means the ability to increase a company's profit increases so that the funds obtained are large enough to meet its liquidity. However, in contrast to Paulina (2019), it is revealed that liquidity, namely the current ratio, does not have a significant effect on profitability, namely ROA because it shows funds that

are too large, resulting in a reduced ability of the company to take profits. This means that the current ratio has a high level will affect the ROA caused by an increase in company profits. Based on this description, the formulation of the hypothesis is as follows:

H1: Liquidity (Current Ratio) has a positive effect on Profitability (ROA).

2) Effect of Liquidity (Quick Ratio) on Profitability (ROA)

According to research from Dewi & Hutnaleontina (2021), that there is a liquidity Quick Ratio (Quick Ratio) has a positive and significant or relevant effect on profitability Return on Assets (ROA) caused by the company can pay off current debt because it uses current assets but without inventory it takes a long time to turn into money but it is different from the opinion of Armalinda (2019) that the quick ratio liquidity (Quick ratio) has no effect on profitability (ROA) due to the company's ability to greatly affect earnings profit. This means that liquidity (fast ratio) has a major effect on profitability (roa) so that the level of liquidity (fast ratio) is high because it can meet short-term financial obligations within a period of no more than one year and provide good value, because the company is able to pay off current liabilities using assets. fluent. Companies that have high liquidity (quick ratio) will have an effect on profitability (roa) due to the profits they get. If the liquidity (quick ratio) is high, it is likely to get cash dividends so that it attracts investors to invest and if the capital is high it will suppress debt so that it gets high profitability (roa). Based on this description, the formulation of the hypothesis is as follows:

H2: Liquidity (Quick Ratio) has a positive effect on Profitability (ROA).

3) Effect of Liquidity (Cash Ratio) on Profitability (ROA)

Research conducted by researchers conducted by Armalinda (2019), that liquidity (cash ratio) has a negative and significant effect on profitability (ROA) but contrary to Dewi & Hutnaleontina (2021) that liquidity (cashratio) has no significant effect on profitability (ROA). This means that cash is the most liquid asset, liquidity (cash ratio) that is too high will result in reducing profits so that the company's funds settle because cash does not rotate. profitability (ROA) but the company can pay off its obligations while not being able to increase profits. Funds that should be used to earn profits but are used for liabilities. Based on this description, the formulation of the hypothesis is as follows:

H3: Liquidity (Cash Ratio) has a negative effect on profitability (ROA).

METHOD

The Scope Of Research Scope

Research data is collected through secondary data obtained through annual financial reports published by companies in the IDX-IC primary consumer goods sector food and beverage sub-sector 2016-2021 listed on the Indonesia Stock Exchange (IDX) 2016-2021.

Sample and Research Data

Population is a group of people, events or things that have certain characteristics (Indriantoro & Supomo, 1999). All primary consumer goods companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange (IDX) which are used as the population in the study to obtain samples, use the purposive sampling method which is one type of non-random sampling that takes samples (Algifari , 2016). The number of sub-sector companies Food and beverage listed on the Indonesia Stock Exchange and according to the criteria are 10 companies X 6 years = 60 samples. Therefore, the criteria in selecting the sample for consideration are:

a. A food and beverage sub-company that is legally listed on the Indonesia Stock Exchange in 2016-2021.

b. Food and beverage sub-sector companies that present complete financial statements for the 2016-2021 period on the Indonesia Stock Exchange.

c. Companies that do not suffer losses during the research.

Types and Definitions of Operational Variables

Research divides the variables used into two groups, which are called independent variables and dependent variables. The explanation of the two is as follows:

Independent

Variables that explain the dependent variable are called independent variables as variables that have the possibility of acting as a cause (Presumed Cause Variable) or as an antecedent variable (Antecedent Variable) (Indrianto & Supomo, 1999). Several factors related to profitability (ROA) and used as independent variables, namely:

a) Liquidity (Current Ratio) (X1) is the first independent variable. Current debt can be closed or paid so you can buy goods that are sold as a capital basis so that capital buys goods from suppliers so that income is high, so profitability (roa) is high. The formula used is from (Hanafi & Halim, 2016):

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Debt}}$$

b) Liquidity (Quick Ratio) (X2) is the second independent variable. This means that liquidity (rapid ratio) has a large effect on profitability (roa) so that the level of liquidity (fast ratio) is high because it can meet short-term financial obligations within a period of no more than one year. The formula used is (Hanafi & Halim, 2016):

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Supply}}{\text{Current Debt}}$$

c) Liquidity (Cash Ratio) (X3) is the ability to pay obligations that must be settled immediately with available current assets. The formula used from (Kasmir, 2019) is:

$$\text{Cash Ratio} = \frac{\text{Cash and Cash Equivalents}}{\text{Current Debt}}$$

Dependent

Variable The variable described by other variables is called the dependent variable as a variable that has the possibility of acting as a result (Presumed Effect Variable) or as a consequence variable (Consequent Variable) (Indrianto & Supomo, 1999). Profitability (ROA) (*Y*) was determined as the dependent variable in this study. The formula used is from (Hanafi & Halim, 2016):

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Methods and Analysis Techniques

The statistical model used is a multiple regression model to test the truth of the hypothesis and state whether there is an influence and the direction of the influence between the independent variable and the dependent variable. Data analysis techniques in the research testing carried out are as follows:

Descriptive Statistics

According to Algifari (2016), "descriptive statistics is the activity of collecting, processing and then presenting observational data so that other parties can easily obtain an overview of the nature of objects from the data." Through descriptive statistics, visualization of data on each independent variable and dependent variable can be conveyed using values, namely: Average or mean, The median or the middle value of the data, Maximum and minimum, Std. Dev. (standard deviation), Observation, is the number of data or samples analyzed and represents the entire population.

Classical Assumption Test

Before conducting research using the multiple regression analysis method, the classical assumption test must be carried out first to test whether there are biased data and can affect the results of the study. The classical assumption test consists of: Normality Test, Multicollinearity Test, Heteroscedasticity Test, Autocorrelation Test.

Multiple Regression Analysis

A regression model that applies two or more independent variables to produce

the estimated value of the dependent variable on the influence of more than two independent variables (Algifari, 2016). The regression equation in this study are:

$$Y = \alpha + \beta 1(\chi 1) + \beta 2(\chi 2) + \beta 3(\chi 3) + e$$

Hypothesis

This test consists of a partial test (T test) to determine the effect of independent variables on the dependent variable individually, the dependent variable is influenced by many independent variables together, namely the simultaneous variable (F test). , and the coefficient of determination (R^2).

RESULTS AND DISCUSSION

Data Analysis

The sample in this study was the IDX-IC company in the primary consumer goods sector for the food and beverage sub-sector in 2016-2021 which was listed on the Indonesia Stock Exchange (IDX) in 2016-2021 which was then used as the object of research. This study uses secondary data sources in the form of financial statements, namely statements of financial position and income statements of companies listed on the IDX for the period 2016-2021. Research data obtained using documentation techniques. The sampling technique used is purposive sampling from the process that has been passed through the sample selection that has been carried out, there are 10 companies within a period of 6 years and 60 samples are used as research data that are processed and tested, so as to obtain results that answer the formulation of the problem.

Descriptive Statistics

Table 1. Descriptive Statistics Results

	N	RL	RC	RK	ROA
Mean	60	3,1500,26164	2,2103,21635	1,1685,18367	0,1128,00601
Minimum	60	0,59	0,3	0,01	0,04
Maximum	60	8,64	7,36	6,05	0,22
Stad.Dev	60	2,02663	1,67586	1,42267	0,04658
Valid N (listwize)	60				

Source: Processed data (2022)

Classical Assumption Test

Multiple linear regression analysis can be performed if the classical assumption test has met the requirements, namely the data normality test is met and

does not show symptoms of multicollinearity, autocorrelation and heteroscedasticity.

1. Normality Test

Table 2. Normality Test Results

	Unstandardized Residual
Kolmogorov-Smirnov Z	0,588
Asym.Sig. (2-tailed)	0,88

Source: Processed data (2022)

Based on the table, the sample data is considered to have a normal distribution, because the significance value is 0.88 > 0.05.

2. Multicollinearity Test

From table 3 we know that the independent variable of liquidity (RL,RC, dan RK) has tolerance value of 0.194; 0.232; 0.406 whose value exceeds 0.1 and the value of Variance Inflation Factor is 5.148; 4,315; 2,462 whose value is less than 10, thus the test results are free from multicollinearity.

Table 3. Multicolinearity Test Result

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	RL	0,194	5,148
	RC	0,232	4,315
	RK	0,406	2,462

Source: Processed data (2022)

3. Heteroscedasticity Test

Table 4. Heteroscedasticity Test Results

Model		T	Sig
1	(Constant)	4,401	0
	RL	-0,233	0,817
	RC	0,29	0,773
	RK	-0,139	0,89

Source: Processed data (2022)

Based on the table, it can be concluded that there is no heteroscedasticity symptom in the regression model above, because the liquidity variables (RL, RC, and RK) have a significance level of 0.817; 0.773; 0.89 > 0.05.

4. Autocorrelation Test

Table 5. Autocorrelation Test Results

Model	1
R	0,712
R Square	0,507
Durbin-Watson	1,644

	Unstandardized Residual
Total Cases	60
Number of Runs	27
Z	-1,042
Asym.Sig. (2-tailed)	0,298

Source: Processed data (2022)

Then it can be obtained an information, namely that the value of DW = 1.644 is between 1.4797 and 1.6889 so that the conclusion of the test results is without a decision. This condition does not reflect the presence or absence of symptoms or autocorrelation problems, so further testing is necessary. The following is the final result of the autocorrelation test using the Run Test: Based on a significance value of 0.298 > 0.05, it is free from autocorrelation.

Multiple Regression Analysis

The magnitude of the influence of the independent variables, namely liquidity (RL, RC, and RK) on profitability (ROA) as the dependent variable can be shown by multiple linear regression analysis. The results of the multiple regression analysis can be seen in the table.

Table 6. Multiple Regression Analysis Test Results

Model		Unstandardized Coefficients	
		B	Std.Error
1	(Constant)	0,075	0,009
	RL	-0,017	0,049
	RC	0,046	0,062
	RK	-0,009	0,033

Source: Processed data (2022)

Based on the table, the regression equation can be formulated as follows: ROA = 0.075 − 0.017 RL + 0.046 RC − 0.009 RK the regression equation can be explained as follows:

1. Coefficient regression of the liquidity variable (RL) to the profitability variable (ROA) (Y) of -0.017 or -1.7% which means that if liquidity (current ratio) has decreased by one unit, then profitability (ROA) (Y) has decreased by 0.017 or 1.7%. A negative coefficient means that liquidity (current ratio) and profitability (ROA) are negatively related.

2. The regression coefficient of the liquidity variable (RC) on the profitability variable (ROA) (Y) is 0.046 or 4.6%, which means that if liquidity (quick ratio) has increased by one unit, then profitability (ROA) (Y) has increased by 0.046 or 4.6%. A positive coefficient means that liquidity (rapid ratio) and profitability (ROA) are positively related.

3. The regression coefficient of the liquidity variable (RK) on the profitability variable (ROA) (Y) is -0.009 or -0.9%, which means that if liquidity (cash ratio) has decreased by one unit, then profitability (ROA) (Y) has decreased. by 0.09 or 0.9%. A negative coefficient means that liquidity (cash ratio) and profitability (ROA) are negatively related.

Hypothesis
Testing Partial Test (T Test)
Table 7. Partial Test Result (T TEST)

Model		t	Sig
1	(Constant)	8,575	0
	X1	-1,695	0,096
	X2	2,549	0,014
	X3	-0,847	0,401

Source: Processed data (2022)

The test results based on the table can be explained as follows:

1. **Effect of Liquidity (Current Ratio) on Profitability (ROA)**

Liquidity variable (Current Ratio) has t count of -1.695 < from t table of 2.003 with a negative direction and a significant value of 0.096 > 0.05 so it we can know that there is no influence between the liquidity variable (Current Ratio) on profitability (ROA).

2. Effect of Liquidity (Quick Ratio) on Profitability (ROA)

The liquidity variable (Quick Ratio) has a t count of 2.549 > from a t table of 2.003 with a positive direction and a significant value of 0.014 < 0.05 so that it can be seen that there is an influence between variables liquidity(Quick Ratio) to profitability (ROA).

3. Effect of Liquidity (Cash Ratio) on Profitability (ROA)

Liquidity variable (Cash Ratio) has a t count of -0.847 < from t table of 2.003 with a negative direction and a significant value of 0.401 > 0.05 so that it can be seen that there is no effect between the variables of liquidity (Cash Ratio) to profitability (ROA).

Simultaneous Test (Test F)
Table 8. Results of Simultaneous Test (Test F)

Model	df	F	Sig.
Regression	3	19,234	0
Residual	56	-	-

Source: Processed data (2022)

In accordance with the data from the results of hypothesis testing through the F test in the table above, information is obtained that the value of F-count = 19.234 > F-table = 2.769. Other information such as significance probability value = 0.000 <0.05 all independent variables simultaneously or simultaneously have a significant influence on the dependent variable so that from the two value information it can be concluded that the research model is quite good, which means that the liquidity variable is able to explain the profitability variable.

Coefficient of Determination Test (R²)
Table 9. Determination Coefficient Test (R²)

Model	R	R Square	Adjusted R Square
1	0,712	0,507	0,03355

Source: Processed data (2022)

It is known that the Adjusted R Square 0.507 or 50.7%. Thus the independent variation of liquidity (Current Ratio, Quick Ratio, and Cash Ratio) is able to explain the dependent variable profitability (ROA) of 50.7% while 49.3% is explained by other variables not discussed in the research model.

RESULT AND DISCUSSION

Effect of Liquidity (Current Ratio) on Profitability (ROA)

Based on hypothesis testing, the results obtained that liquidity (Current Ratio) is not a factor considered in profitability (ROA), so the first hypothesis is not supported. The results of this study are not in accordance with Halim (2021) but this study is in accordance with Paulina (2019) who argues that liquidity, namely the Current Ratio, is not influenced by profitability, namely ROA because it shows that funds that are too large result in a reduced ability of the company to take profits. This means that liquidity (Current Ratio) has a high level that will affect profitability (ROA) caused by an increase in company profits (H1 is rejected).

Effect of Liquidity (Quick Ratio) on Profitability (ROA)

Based on hypothesis testing, the results obtained that liquidity (Quick Ratio) is a factor considered in profitability (ROA), so that the second hypothesis is supported. The results of the study are in accordance with Dewi & Hutnaleontina (2021) that there is liquidity (fast ratio) has a positive and significant effect on profitability Return on Assets (ROA) caused by the company so that it can pay off current debt because it uses current assets but does not use inventory because it takes time. old money but the research is not in accordance with (Armalinda, 2019). This means that liquidity (fast ratio) has a big effect on profitability (ROA) so that the level of liquidity (fast ratio) is high because it can meet short-term financial obligations within a period of no more than one year. High liquidity (quick ratio) provides good value, because the company is able to pay

off current liabilities using current assets. Companies that have high liquidity (fast ratio) will have an effect on profitability (ROA) because profits they get. If the liquidity (fast ratio) is high, it is likely to get cash dividends so that it attracts investors to invest and if the capital is high it will suppress debt so that it gets high profitability (ROA) (H2 is accepted).

The Effect of Liquidity (Cash Ratio) on Profitability (ROA)

Based on hypothesis testing, the results obtained that liquidity (Cash Ratio) is not a factor considered in profitability (ROA), so the third hypothesis is not supported. The results of this study are not in accordance with Armalinda (2019) but are in accordance with Dewi & Hutnaleontina (2021) who argue that liquidity (Cash Ratio) is not influenced by profitability (ROA) because cash is the most liquid asset, but with a high amount of cash it cannot ensure the level of profitability (ROA) is in good condition, because having high cash can cause idle cash and profits will decrease (H3 is rejected).

CONCLUSIONS

Conclusions

Based on the test, the following research results are obtained:
1. Liquidity (Current Ratio) has no effect on Profitability (ROA) on primary consumer goods in the food and beverage subsector on the IDX in 2016-2021. This is evidenced by the significant value of $0.096 > 0.05$.
2. Liquidity (Quick Ratio) has a positive effect on Profitability (ROA) on primary consumer goods in the food and beverage subsector on the IDX in 2016-2021. This is evidenced by a significant value of $0.014 < 0.05$.
3. Liquidity (Cash Ratio) has no effect on Profitability (ROA) of primary consumer goods in the food and beverage subsector on the IDX in 2016-

2021. This is evidenced by the significant value of $0.401 > 0.05$.

Suggestions

Based on the discussion, conclusions, and limitations of this study, suggestions that can be given in order to obtain better research results are as follows: using different research objects from researchers, such as: energy, industrials, or financial and further researchers using variables other independent variables such as solvency in order to identify the effect of profitability variables.

IMPLICATIONS

Theoretical

The object under study, and the year of observation are aspects that distinguish it from previous and more recent research, namely 2016-2021, the object of research and the period when a pandemic occurred starting in 2019-2020 are different. This difference is expected to enrich the findings regarding the effect of liquidity on profitability.

Practical

This research is expected to be able to provide appropriate advice and solutions to problems faced by institutions that use financial ratios. This study will prove that a well-managed company in improving its financial performance can be used as input in seeing the needs of shareholders. In addition, it is hoped that this research is able to develop theories in dealing with problems and can help academics to expand their knowledge about the effect of liquidity on profitability. This research can be used as a comparison and refinement of similar research that has been done before.

LIMITATIONS OF THE RESEARCH

Limitations of the study

The limitations of the study are expected to be considered in further research in order to obtain results that are in accordance with the actual situation. The

research has limitations in several aspects, including the following: Researchers have limitations in accessing the annual reports owned by companies so that researchers only use the five year period 2016-2021. Limitations other than not being able to access the IDX web page there are no reports used by researchers as research material and only available starting in 2019 while for 2018, 2017 and 2016 researchers took data on the company's web and not all companies uploaded annual reports.

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