

THE EFFECT OF THE SHORT-TERM LIQUIDITY RATIO ON RETURN ON ASSETS IN FOOD AND BEVERAGE COMPANIES LISTED ON THE IDX (2021–2023)

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Abstract

This study aims to examine the effect of the Current Ratio (CR) on Return on Assets (ROA) in food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. Liquidity, measured by CR, is assumed to influence the firm's ability to generate profits through the effective utilization of assets. The research applies a quantitative method with a descriptive verification approach. A purposive sampling technique was employed to select 44 companies from a total population of 72. Data were analyzed using simple linear regression with the support of EViews 12. The results reveal that CR has a negative but statistically insignificant effect on ROA, with a significance value of 0.1092, which is greater than the 0.05 threshold. This finding suggests that higher liquidity does not necessarily improve profitability, as excess current assets may hinder efficiency in generating returns. Overall, the study emphasizes the importance of managing liquidity effectively to achieve an optimal balance between solvency and profitability in the food and beverage sector.

Keywords: Current Ratio, Return on Assets, Liquidity

Abstrak

Penelitian ini bertujuan untuk mengkaji pengaruh Rasio Likuiditas Jangka Pendek (CR) terhadap Return on Assets (ROA) pada perusahaan-perusahaan sektor makanan dan minuman yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2021–2023. Likuiditas, yang diukur melalui CR, diasumsikan memengaruhi kemampuan perusahaan dalam menghasilkan laba melalui pemanfaatan aset yang efektif. Penelitian ini menggunakan metode kuantitatif dengan pendekatan verifikasi deskriptif. Teknik sampling purposif digunakan untuk memilih 44 perusahaan dari total populasi sebanyak 72 perusahaan. Data dianalisis menggunakan regresi linier sederhana dengan bantuan perangkat lunak EViews 12. Hasil penelitian menunjukkan bahwa CR memiliki pengaruh negatif namun tidak signifikan secara statistik terhadap ROA, dengan nilai signifikansi sebesar 0,1092, yang lebih besar dari ambang batas 0,05. Temuan ini menunjukkan bahwa likuiditas yang lebih tinggi tidak selalu meningkatkan profitabilitas, karena kelebihan aset lancar dapat menghambat efisiensi dalam menghasilkan laba. Secara keseluruhan, penelitian ini menekankan pentingnya mengelola likuiditas secara efektif untuk mencapai keseimbangan optimal antara solvabilitas dan profitabilitas di sektor makanan dan minuman.

Kata kunci: Rasio Lancar, Return on Assets, Likuiditas

Introduction

In an increasingly dynamic and competitive business environment, companies are required to maintain financial and operational flexibility in order to respond effectively to changes in market conditions, consumer preferences, input costs, technological developments, and macroeconomic

dynamics. The fundamental objective of establishing a business entity is not merely to generate short-term profits but also to maximize firm value and maintain business sustainability over the long term. Achieving these objectives requires companies to manage their financial resources efficiently because the quality of financial management determines the extent to which available resources can be converted into productive economic outcomes. In this context, financial performance becomes one of the most important indicators for assessing whether a company has succeeded in managing its resources effectively. Financial performance is relevant not only to managers in evaluating operational efficiency but also to investors, creditors, and other stakeholders in assessing corporate financial health and future prospects (Brigham & Houston, 2019; Kasmir, 2019).

Financial performance can be assessed through several dimensions, including profitability, liquidity, solvency, and activity. Among these dimensions, profitability occupies a central position because it reflects the company's ability to generate earnings from the resources it controls. Profitability is important for management because it indicates the effectiveness of operational decisions, while for investors it provides information concerning the potential return and sustainability of corporate performance. One of the most widely used profitability indicators is Return on Assets (ROA). ROA measures the company's ability to generate net income from its total assets and therefore reflects the effectiveness with which management utilizes the company's asset base to generate economic benefits (Kasmir, 2019; Hery, 2020).

The importance of ROA lies in its ability to connect profitability with the resources used to generate that profitability. A company may report substantial net income, but if it requires an excessively large asset base to generate that income, its level of efficiency may remain relatively low. Conversely, a company with a relatively smaller asset base but strong earnings may demonstrate a higher degree of asset utilization efficiency. Thus, ROA provides a broader perspective than net profit alone because it considers the relationship between earnings and the total economic resources employed in business operations. In financial analysis, ROA is consequently useful for evaluating managerial efficiency and comparing profitability among companies operating within similar industries (Brigham & Houston, 2019).

Financial statements constitute the primary source of information for evaluating corporate financial performance because they provide systematic information concerning financial position, operating results, cash flows, and changes in equity. Through financial statement analysis, stakeholders can identify trends and relationships among different financial components. Financial ratio analysis is therefore widely used to interpret financial statements because ratios transform absolute accounting figures into standardized indicators that can be compared across periods and, where appropriate, across companies. Kasmir (2019) explains that financial ratios provide information concerning several important dimensions of corporate financial health, including

liquidity, solvency, activity, and profitability. These dimensions are interconnected because the ability to generate profits depends partly on how effectively a company manages its short-term assets, liabilities, operational activities, and financing structure.

Liquidity represents a company's ability to meet short-term financial obligations when they become due. Adequate liquidity is essential for maintaining operational continuity because companies need sufficient current assets to purchase raw materials, finance inventories, pay suppliers, settle employee obligations, meet tax liabilities, and support other routine business activities. A company with insufficient liquidity may experience difficulties in meeting short-term obligations even when its overall financial position appears strong. Conversely, an excessively high level of liquidity may indicate that resources are not being utilized productively. Therefore, liquidity management involves achieving an appropriate balance between financial security and asset utilization efficiency (Hery, 2020; Kasmir, 2019).

One of the most frequently used indicators for measuring liquidity is the Current Ratio (CR). CR compares current assets with current liabilities and indicates the extent to which short-term obligations are covered by assets expected to be converted into cash within the short-term operating cycle. A relatively high CR generally indicates stronger short-term financial capacity because the company possesses more current assets in relation to its current liabilities. However, the interpretation of CR should not be undertaken mechanically. A high CR does not necessarily indicate superior financial performance because current assets may include excessive inventories, slow-moving receivables, or idle cash. Consequently, liquidity must be considered in conjunction with the efficiency with which current assets are managed and converted into revenue and profit (Kasmir, 2019).

The relationship between CR and ROA is therefore theoretically important because liquidity and profitability represent two different but interconnected dimensions of financial management. Adequate liquidity may support profitability because companies with sufficient current assets are better positioned to maintain uninterrupted operations, purchase production inputs, respond to market opportunities, and meet short-term obligations without excessive financial pressure. Inadequate liquidity can disrupt production and distribution activities, potentially reducing sales and profitability. From this perspective, an appropriate level of liquidity can function as an operational foundation for profitability.

However, the relationship between liquidity and profitability is not necessarily linear or uniformly positive. Excessive liquidity may imply that a substantial proportion of corporate resources is tied up in low-return current assets. Idle cash, excessive inventories, or inefficiently managed receivables may increase total assets without generating proportional increases in earnings. Because ROA is calculated relative to total assets, inefficient accumulation of current assets can potentially

reduce the company's asset-based profitability. Consequently, a company should not necessarily seek to maximize its CR; rather, it should maintain liquidity at a level that is sufficient to support operational continuity while ensuring that available assets remain productively utilized (Brigham & Houston, 2019; Hery, 2020).

This issue is particularly relevant in the food and beverage industry because the sector possesses distinctive operational and financial characteristics. Food and beverage companies generally benefit from relatively continuous consumer demand, but they also face intense competition, changing consumer preferences, fluctuations in raw-material prices, distribution challenges, and the need for continuous product innovation. In addition, many food and beverage businesses must maintain substantial inventories of raw materials and finished products. The management of such inventories is critical because insufficient inventory may disrupt production and sales, whereas excessive inventory may increase storage costs and create the risk of deterioration or obsolescence. Consequently, working-capital and liquidity management are closely connected to operational efficiency and profitability in this sector.

The Indonesian food and beverage industry also has considerable strategic importance for the national economy. During the post-pandemic recovery period, economic activity strengthened substantially, while consumption and manufacturing activities became important drivers of recovery. Government reporting indicates that Indonesia's economy continued to recover strongly in 2022, while the accommodation and food-and-beverage-related sectors recorded substantial growth. The food and beverage manufacturing industry therefore provides an important empirical setting for examining financial management because companies were required to respond simultaneously to recovering consumer demand, changes in supply chains, fluctuations in production costs, and the need to restore financial efficiency following the disruption caused by COVID-19.

The post-pandemic period is particularly relevant for examining the relationship between CR and ROA because companies faced a fundamental financial-management dilemma. On one hand, maintaining adequate liquid assets was necessary to provide protection against uncertainty, supply-chain disruptions, and unexpected operating expenditures. On the other hand, excessive liquidity could create an opportunity cost because funds held in cash or other low-return current assets could otherwise be invested in productive activities such as capacity expansion, technological improvements, marketing, product development, or other initiatives capable of generating higher returns. Thus, managers needed to balance liquidity protection with productive asset utilization.

The experience of companies in the food and beverage industry illustrates why revenue growth and asset growth cannot automatically be interpreted as evidence of improved financial efficiency. A company may experience substantial sales growth while simultaneously allocating considerable resources to inventories, working capital, investment, and expansion. Under such circumstances, the

relationship between liquidity and profitability becomes more complex. Changes in cash balances, receivables, inventories, and short-term liabilities may influence the CR, while changes in earnings and total assets simultaneously affect ROA. Therefore, empirical analysis is required to determine whether stronger liquidity is actually associated with greater profitability within a particular industrial and temporal context.

Previous empirical studies have produced inconsistent findings concerning the relationship between CR and ROA. Fianti et al. (2022), for example, examined food and beverage companies and found that CR and DER jointly influenced ROA, with the coefficient of determination indicating that the two variables explained 56.7% of the variation in ROA. This finding suggests that liquidity may constitute an important component of profitability analysis in the food and beverage sector. However, the study's observation period preceded the post-pandemic recovery period examined in the present study, thereby leaving open the question of whether the same relationship persisted after the COVID-19 disruption.

Other research has produced contrasting evidence. Syarif and Murdiansyah (2024), using food and beverage companies listed on the Indonesia Stock Exchange during 2018–2022, reported that CR did not have a statistically significant individual effect on ROA. This finding challenges the assumption that stronger liquidity automatically leads to greater profitability and suggests that other financial and operational variables may play more substantial roles in determining ROA. Similarly, Andini and Romadon (2024), who investigated food and beverage companies for the 2018–2021 period, found that CR had a non-significant negative effect on ROA, whereas total asset turnover had a significant positive effect. These findings indicate that asset utilization efficiency may be more directly connected to profitability than liquidity alone.

Further evidence also demonstrates the complexity of the CR–ROA relationship. Palamba et al. (2023) specifically examined the effect of CR on ROA among food and beverage subsector companies listed on the IDX using a three-year observation period and a sample of 10 companies. Meanwhile, Syarif and Murdiansyah (2024) reported a non-significant partial effect of CR on ROA for the 2018–2022 period. The divergence of these findings suggests that the influence of liquidity on profitability may depend on the observation period, sample characteristics, company-specific financial policies, and broader economic conditions.

More recent evidence further strengthens the relevance of examining the 2021–2023 period. Rizal et al. (2025) investigated food and beverage subsector companies listed on the IDX during exactly the 2021–2023 period. Their study included CR together with DER, DAR, and working-capital turnover and reported that CR had an effect on ROA, whereas DER, DAR, and working-capital turnover did not show significant effects. This result is particularly important because it indicates that liquidity may have had a measurable relationship with profitability during the post-

pandemic period. At the same time, because Rizal et al. (2025) incorporated several independent variables into a multivariable model, there remains room for a more focused examination of the specific relationship between CR and ROA.

The contradictory findings across previous studies constitute an important research gap. Some studies indicate a positive or significant relationship between CR and ROA, whereas others report insignificant or even negative relationships. Such differences may arise from variations in research periods, sample sizes, company characteristics, industrial conditions, model specifications, and economic circumstances. Studies conducted during pre-pandemic periods may not fully capture the financial behavior of companies during the recovery period, when firms were simultaneously rebuilding inventories, restoring production capacity, managing supply-chain disruptions, and adjusting working-capital policies.

The 2021–2023 period is particularly important because it represents a transition from pandemic disruption toward economic normalization. During this period, companies were required to restore operational capacity while responding to changing consumer demand and evolving input costs. Liquidity management therefore became strategically important. Companies needed sufficient current assets to ensure operational resilience but also needed to prevent excessive accumulation of non-productive current assets. Examining CR and ROA during this period can therefore provide empirical evidence concerning whether liquidity remained an important determinant of profitability after the most severe phase of the pandemic.

Another research gap concerns the tendency of previous studies to examine CR alongside multiple financial variables. Multivariable research is valuable because profitability is influenced by numerous factors, but it can make it more difficult to isolate the specific role of liquidity. By positioning CR as the principal independent variable and ROA as the dependent variable, the present research seeks to provide a more focused assessment of the liquidity–profitability relationship. This approach does not imply that CR is the only determinant of ROA; rather, it is intended to determine whether variations in liquidity are systematically associated with variations in asset-based profitability.

The present study offers several dimensions of novelty. First, it focuses specifically on food and beverage companies listed on the Indonesia Stock Exchange during the 2021–2023 post-pandemic recovery period. This temporal focus is important because it captures a distinctive phase of corporate adjustment following the COVID-19 disruption. Second, the study concentrates specifically on the relationship between CR and ROA rather than treating liquidity merely as one component among numerous financial ratios. This focused approach is expected to provide a clearer interpretation of the extent to which short-term liquidity capacity is associated with asset-based profitability.

Third, the study interprets the CR–ROA relationship within the operational characteristics of the food and beverage sector. In this industry, current assets are closely connected to inventories, receivables, cash management, production continuity, and distribution activities. Therefore, the meaning of a high or low CR cannot be separated from the way companies manage working capital. This sector-specific perspective distinguishes the study from more general research on liquidity and profitability.

Fourth, the study contributes by addressing the inconsistency of previous empirical findings. Evidence from Fianti et al. (2022) indicates a significant relationship involving CR and ROA, while Syarif and Murdiansyah (2024) report no significant partial effect. More recent research by Rizal et al. (2025) reports that CR affected ROA during 2021–2023. The coexistence of these findings demonstrates that the relationship remains worthy of continued investigation and provides a strong empirical basis for testing the relationship in a focused research model.

The novelty of the study is also relevant from a practical perspective. For financial managers, the findings can provide evidence concerning the extent to which liquidity should be maintained to support profitability. A CR that is too low may expose a company to short-term financial pressure and operational disruption, whereas an excessively high CR may indicate inefficient utilization of current assets. The objective of liquidity management should therefore not simply be to achieve the highest possible CR but to establish a level of liquidity that supports operational resilience while maintaining productive asset utilization.

For investors, the findings may provide additional information for interpreting corporate financial statements. Investors should not automatically interpret a high CR as an unequivocally positive signal. Instead, liquidity should be assessed alongside profitability and asset utilization. A company with adequate liquidity and strong ROA may demonstrate a healthier balance between financial security and productive resource utilization than a company with very high liquidity but relatively weak profitability. For creditors, the relationship between CR and ROA may also provide information concerning a company's ability to meet short-term obligations while maintaining productive business operations.

The practical significance of the study is further reinforced by the strategic position of the food and beverage industry in Indonesia. The sector faces continuing competitive pressure, changing consumer preferences, fluctuations in raw-material prices, distribution challenges, and the need for innovation. These conditions require companies to manage financial resources carefully. Liquidity management becomes especially important because operational continuity depends on the ability to convert current assets into cash and deploy them efficiently to finance business activities. Thus, the study of CR and ROA is not merely an accounting exercise but also reflects a broader question concerning the efficiency and sustainability of corporate financial management.

From a theoretical perspective, the relationship between CR and ROA can be understood through the broader principle of financial efficiency. Liquidity provides financial flexibility and reduces the risk associated with short-term obligations, but liquidity also has an opportunity cost when resources remain in relatively low-return assets. Profitability, meanwhile, reflects the extent to which available resources are transformed into earnings. The interaction between these two dimensions suggests that effective financial management requires balance rather than maximization of a single financial ratio. This perspective provides a conceptual foundation for examining whether liquidity contributes positively to profitability or whether excessive liquidity may weaken asset-utilization efficiency.

Based on the theoretical considerations, empirical evidence, and research gaps discussed above, the relationship between Current Ratio and Return on Assets remains an important issue for further investigation. Although liquidity is generally expected to support operational stability, excessive liquidity may reduce asset efficiency and consequently constrain profitability. The contradictory findings reported by previous studies further demonstrate that the effect of CR on ROA cannot be assumed to be universally positive or negative. Instead, the relationship needs to be examined within a specific industrial and temporal context.

Accordingly, this study aims to empirically analyze the effect of Current Ratio on Return on Assets among food and beverage companies listed on the Indonesia Stock Exchange during the 2021–2023 period. The study is expected to contribute theoretically by enriching the literature concerning the relationship between liquidity and profitability in the Indonesian food and beverage sector, particularly during the post-pandemic recovery period. Practically, the findings are expected to provide useful information for corporate managers in formulating liquidity-management policies, for investors in evaluating corporate financial performance, and for other stakeholders in interpreting the financial condition of food and beverage companies. More broadly, the study seeks to demonstrate that effective financial management requires a balance between maintaining sufficient liquidity and ensuring that corporate assets are utilized productively to generate sustainable returns.

Research Method

This study employed a quantitative research method using a descriptive-verify approach to examine the effect of the Current Ratio (CR) on Return on Assets (ROA) among food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. A quantitative approach was selected because the study focuses on measuring relationships between numerical variables and testing the proposed hypothesis through statistical procedures (Sugiyono, 2020). The descriptive-verify design enables the study to describe the financial characteristics of the sampled companies and subsequently verify the proposed relationship between liquidity and profitability through inferential statistical analysis (Sugiyono, 2020).

The study utilized secondary panel data, combining cross-sectional observations from multiple companies with time-series observations covering three consecutive years, from 2021 to 2023. Panel data are appropriate for this study because they allow researchers to observe variations among companies as well as changes over time, thereby providing a broader empirical basis for examining financial relationships (Gujarati & Porter, 2009; Wooldridge, 2018). The population consisted of 72 food and beverage companies listed on the IDX. Using purposive sampling, 44 companies were selected based on predetermined criteria: companies had to be continuously listed during the observation period, provide complete annual financial reports for 2021–2023, report their financial statements in Indonesian Rupiah, and record positive net income during the study period. Based on these criteria, the final sample generated 132 firm-year observations.

The independent variable was Current Ratio (CR), representing the company's liquidity position, while Return on Assets (ROA) served as the dependent variable, representing profitability and the efficiency of asset utilization (Kasmir, 2019). CR was measured by comparing current assets with current liabilities, whereas ROA was measured by comparing net income with total assets. Data analysis was performed using EViews 12. The analysis included descriptive statistics to identify the characteristics and distribution of the variables, followed by classical assumption tests covering normality, multicollinearity, heteroskedasticity, and autocorrelation. Hypothesis testing was subsequently conducted using regression analysis and a partial t-test to determine whether CR had a statistically significant effect on ROA at the predetermined significance level (Ghozali, 2021). The analytical results were interpreted based on the estimated regression coefficient, significance probability, and direction of the relationship between CR and ROA.

Results and Discussion

Table 1. Descriptive Statistics

Date: 08/30/25 Time: 21:37
Sample: 2021 2023

	Y	X
Mean	0.105561	2.918508
Median	0.097000	1.797000
Maximum	0.343000	20.11300
Minimum	-0.008000	0.007000
Std. Dev.	0.074878	3.039721
Skewness	0.722457	2.591834
Kurtosis	3.162400	11.56123
Jarque-Bera	11.62781	550.9075
Probability	0.002986	0.000000
Sum	13.93400	385.2430
Sum Sq. Dev.	0.734485	1210.427
Observations	132	132

Source: EViews 12 Output (2025)

The results of the descriptive statistical analysis show that the Current Ratio (CR) of food and beverage companies during the 2021–2023 period exhibited substantial variation. The lowest CR value of 0.013 was recorded by PT Pradiksi Gunatama Tbk in 2021, reflecting weak liquidity caused

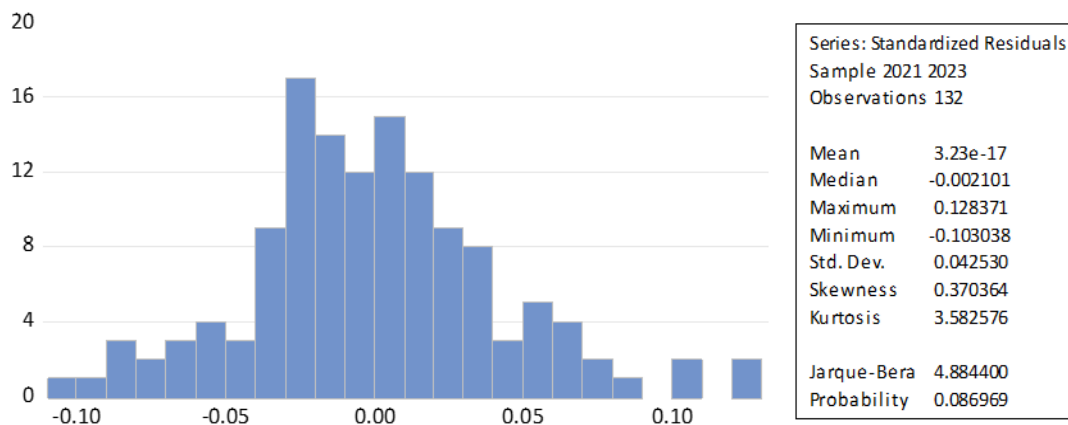
by financial pressure, net losses, high expenses, expansion activities, and the lingering impact of the pandemic. In contrast, the highest CR of 20.113 was achieved by PT Campina Ice Cream Industry Tbk in the same year, indicating very strong liquidity supported by substantial cash reserves and prudent financial management policies. The average CR was 2.918508 with a standard deviation of 3.039721, highlighting significant variation across companies. When compared with the industry benchmark of 1.75–2.00 (Munawir, 2019), the average CR of 291.86% suggests that, overall, companies maintained strong liquidity, although certain firms, such as PT Pradiksi Gunatama Tbk, still exhibited weaknesses.

Meanwhile, Return on Assets (ROA) ranged from -0.008000, also recorded by PT Pradiksi Gunatama Tbk in 2021, which indicates inefficiency in asset utilization due to losses and heavy financial burdens, to 0.343000 achieved by Central Proteina Prima Tbk in 2021, reflecting high efficiency supported by increased net income and operational improvements. The average ROA was 0.105561 with a standard deviation of 0.074878, indicating relatively stable performance across the sample. Compared with the healthy benchmark of above 2% (Lestari & Sugiharto, 2007), the average ROA of 10.56% demonstrates that most companies were able to manage their assets effectively to generate profits, although several firms still performed below the benchmark.

Classical Assumption Tests

Normality Test

Figure 1. Normality Test Results



Source: EViews 12 Output (2025)

Based on the normality test results presented in Figure 1, it can be concluded that the data in this study satisfy the normality assumption, as the Jarque-Bera probability value exceeds the 0.05 significance level ($0.086969 > 0.05$).

Multicollinearity Test

Table 2. Multicollinearity Test Results

	X	Y
X	1.000000	0.109779
Y	0.109779	1.000000

Source: EViews 12 Output (2025)

As shown in Table 2, the tolerance values for the independent variable, Current Ratio, are below 0.80, which indicates that no multicollinearity exists among the independent variables. Hence, the regression model meets the classical assumption of multicollinearity.

Heteroskedasticity Test

Table 3. Heteroskedasticity Test Results

Panel Period Heteroskedasticity LR Test			
Equation: UNTITLED			
Specification: Y C X			
Null hypothesis: Residuals are homoskedastic			
	Value	df	Probability
Likelihood ratio	0.111827	44	1.0000
LR test summary:			
	Value	df	
Restricted LogL	156.1320	130	
Unrestricted LogL	156.1879	130	

Source: EViews 12 Output (2025)

Based on the heteroscedasticity test results presented in the table above, it can be concluded that this study is free from heteroscedasticity, as the probability values of all variables exceed 0.05.

Autocorrelation Test

Table 4. Autocorrelation Test Results

R-squared	0.632681	Mean dependent var	0.063083
Adjusted R-squared	0.626987	S.D. dependent var	0.055810
S.E. of regression	0.034086	Sum squared resid	0.149877
F-statistic	111.0969	Durbin-Watson stat	1.979772
Prob(F-statistic)	0.000000		

Source: EViews 12 Output (2025)

The Breusch-Godfrey test results in Table 4 show that the Obs*R-squared value is 6.326811, with a probability greater than 0.05 ($6.326811 > 0.05$). This indicates that the regression model is free from autocorrelation.

Hypothesis Testing

Partial Hypothesis Testing (t-test)

Table 5. t-test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.093592	0.012078	7.748824	0.0000
X	0.004101	0.002543	1.612749	0.1092

The t-test results presented in Table 5 show that the significance value of the Current Ratio variable is 0.1092, which is greater than the 0.05 significance level. Furthermore, the comparison between the calculated t-value and the critical t-value indicates that the calculated t-value is 1.612749, while the critical t-value at $\alpha = 0.05$ with $df = 42$ is 2.018. Since the calculated t-value ($1.612749 <$

the critical t-value (2.018) and the significance value (0.1092) > 0.05, it can be concluded that H1 is rejected. Thus, the Current Ratio does not have a significant partial effect on Return on Assets (ROA).

Discussion

The results of the t-test indicate that the Current Ratio (CR) does not have a statistically significant effect on Return on Assets (ROA) in food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. As presented in Table 5, the significance value of the Current Ratio is 0.1092, which exceeds the significance level of 0.05. Likewise, the calculated t-value of 1.612749 is lower than the critical t-value of 2.018, leading to the rejection of the research hypothesis (H₁). These findings suggest that liquidity, as measured by the Current Ratio, cannot independently explain variations in profitability among food and beverage companies during the post-pandemic recovery period.

From a financial management perspective, the findings imply that a company's ability to meet short-term obligations does not necessarily translate into higher profitability. Although a high Current Ratio generally reflects strong liquidity, it may simultaneously indicate that a considerable proportion of current assets is tied up in cash, inventories, or accounts receivable that do not generate productive returns. Consequently, an increase in current assets without a proportional increase in earnings will reduce the efficiency of asset utilization, ultimately weakening Return on Assets (Brigham & Houston, 2019; Kasmir, 2019). This finding reinforces the argument that liquidity and profitability represent two different dimensions of financial performance that must be managed in balance rather than optimized independently.

The insignificant relationship between CR and ROA can also be explained through the working capital management perspective. Working capital is essential for supporting daily business operations; however, excessive investment in current assets may reduce the firm's capacity to allocate resources toward productive investments capable of generating higher returns. Food and beverage companies generally maintain substantial inventories to ensure production continuity and meet consumer demand. Nevertheless, excessive inventory accumulation increases storage costs, risks of product deterioration, and capital lock-up, particularly for products with relatively short shelf lives. As a result, higher liquidity does not automatically improve profitability because the opportunity cost of maintaining excessive current assets may outweigh its operational benefits (Ross et al., 2022).

The characteristics of the food and beverage industry further support this interpretation. Companies operating in this sector require continuous inventory replenishment, efficient distribution systems, and effective working capital management due to fluctuating raw material prices and changing consumer demand. During the 2021–2023 post-pandemic recovery period, many firms maintained relatively high levels of liquid assets as a precautionary strategy against supply chain uncertainty and inflationary pressures. While this conservative liquidity policy reduced financial risk,

it may also have limited opportunities for firms to invest in productive assets, technological innovation, and operational expansion that contribute directly to profitability (OECD, 2023).

These findings are consistent with the financial management theory proposed by Brigham and Houston (2019), who argue that firms should maintain an optimal level of liquidity rather than maximizing liquidity. Excessive liquidity often reflects inefficient asset allocation because idle cash and excessive current assets generate relatively low returns compared to productive investments. Similarly, Ross et al. (2022) emphasize that the objective of working capital management is not to maximize current assets but to optimize their composition in order to balance liquidity, risk, and profitability. Therefore, an excessively high Current Ratio may actually signal inefficiency rather than financial strength.

The results of this study also support previous empirical findings. Alimunir et al. (2021) reported that the Current Ratio did not significantly influence Return on Assets because increases in current assets were not accompanied by proportional increases in operating income. Likewise, Nurlita and Sawukir (2024) concluded that liquidity does not necessarily improve profitability when current assets are managed inefficiently. Their findings suggest that maintaining excessive cash balances, inventories, or receivables may reduce asset productivity, thereby weakening profitability despite strong liquidity indicators. The consistency between the present study and previous empirical evidence indicates that the Current Ratio should not be interpreted as a direct determinant of profitability.

Conversely, the findings differ from those reported by Fianti et al. (2022), who found that Current Ratio contributed significantly to explaining Return on Assets among food and beverage companies listed on the IDX. Differences between the two studies may be attributed to variations in observation periods and economic conditions. Fianti et al. (2022) analyzed financial performance during the pre-pandemic period, whereas the present study focuses on the 2021–2023 post-pandemic recovery period, during which firms adopted more conservative liquidity management strategies. During economic recovery, companies often prioritize maintaining financial resilience rather than maximizing profitability, thereby weakening the direct relationship between liquidity and returns.

Different findings have also been reported by Bere and Winarsa (2024), who observed a positive relationship between Current Ratio and Return on Assets in PT Wijaya Karya Tbk. However, their research examined a single construction company, whereas the present study investigated 44 publicly listed food and beverage companies. Differences in industrial characteristics, business models, working capital structures, and operational cycles may explain the inconsistent results. Construction companies generally have longer project cycles and different working capital requirements compared with food and beverage manufacturers, making liquidity management practices less comparable across sectors.

The insignificant effect identified in this study indicates that profitability in food and beverage companies is likely influenced more strongly by other financial and operational variables than by liquidity alone. Financial ratios such as Total Asset Turnover (TATO), Net Profit Margin (NPM), Operating Margin, Inventory Turnover, Debt-to-Equity Ratio (DER), and Working Capital Turnover may provide stronger explanatory power because they directly reflect operational efficiency and revenue generation (Hery, 2020; Ross et al., 2022). This finding supports the notion that profitability is multidimensional and cannot be adequately explained by a single liquidity ratio.

From a managerial perspective, the findings provide important implications for corporate financial decision-making. Managers should avoid interpreting a high Current Ratio as an indication of superior financial performance. Instead, emphasis should be placed on optimizing the utilization of current assets through efficient inventory management, faster accounts receivable collection, and effective cash management. Maintaining sufficient liquidity remains essential for ensuring operational continuity; however, excessive current assets should be redirected toward productive investments capable of generating sustainable returns. Consequently, financial managers should prioritize working capital efficiency rather than liquidity accumulation.

For investors, the results indicate that Current Ratio should not be used as the sole indicator in evaluating corporate financial performance. Investment decisions should incorporate multiple financial indicators, including profitability, asset efficiency, leverage, and cash flow quality. A company with a relatively moderate Current Ratio but strong asset utilization may offer better long-term investment prospects than a company with very high liquidity but weak profitability. Therefore, comprehensive financial ratio analysis remains essential in assessing firm performance.

Theoretically, this study contributes to the literature by reinforcing the argument that the relationship between liquidity and profitability is context-dependent. The findings demonstrate that the effect of Current Ratio on Return on Assets varies across industries and economic conditions. During periods of economic recovery, firms may intentionally maintain higher liquidity as a risk management strategy rather than as a means of maximizing profitability. Consequently, the absence of a significant relationship does not imply that liquidity is unimportant; rather, it indicates that liquidity functions primarily as a mechanism for maintaining financial stability rather than directly increasing earnings.

The novelty of this study lies in its examination of the liquidity–profitability relationship during the post-pandemic recovery period using food and beverage companies listed on the Indonesia Stock Exchange. Unlike many previous studies conducted before the COVID-19 pandemic or involving mixed industrial sectors, this research focuses specifically on the unique financial characteristics of the food and beverage industry during economic normalization. The findings provide updated empirical evidence indicating that liquidity, as represented by the Current Ratio, is insufficient to

explain profitability independently. Instead, profitability appears to depend on broader aspects of financial efficiency, operational effectiveness, and strategic asset utilization. These results enrich the existing literature by demonstrating that effective financial management requires balancing liquidity preservation with productive asset allocation in order to achieve sustainable profitability.

Conclusion

The results of this study indicate that the Current Ratio (CR) does not have a significant partial effect on Return on Assets (ROA) in food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 observation period. This conclusion is supported by the statistical test results, which show a significance value of 0.1092, exceeding the significance level of 0.05, and a calculated t-value of 1.612749, which is lower than the critical t-value of 2.018. Accordingly, the research hypothesis stating that the Current Ratio significantly influences Return on Assets is rejected. These findings imply that variations in a company's liquidity level do not necessarily correspond to changes in its profitability.

The findings further suggest that a high Current Ratio should not automatically be interpreted as an indicator of superior financial performance. Although a higher Current Ratio reflects a stronger ability to meet short-term financial obligations, excessive liquidity may indicate that a substantial portion of current assets is tied up in cash, inventories, or accounts receivable that are not being utilized efficiently. Such conditions may reduce the effectiveness of asset utilization in generating profits, thereby limiting improvements in Return on Assets. Therefore, companies should not merely focus on maintaining high liquidity levels but should also ensure that current assets are managed productively. Achieving an optimal balance between liquidity and operational efficiency is essential for improving profitability, strengthening financial performance, and supporting long-term business sustainability in an increasingly competitive market.

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