

The Influence of Profitability and Liquidity Ratios on Financial Performance

Uci Defi Arfila Manao¹, Idah Kusuma Dewi²

¹ Sekolah Tinggi Ilmu Ekonomi Pariwisata Indonesia, Indonesia; uci.21510086@student.stiepari.ac.id

² Sekolah Tinggi Ilmu Ekonomi Pariwisata Indonesia, Indonesia; idahkusumadewi71@gmail.com

Received: 04/03/2025		Revised: 21/04/2025	Accepted: 02/06/2025
Abstract	The financial performance of PT. Sumber Bintang Rejeki fluctuated in the period from 2020 to 2024. Therefore, the purpose of this study is to assess the company's financial performance with the presence of fluctuations. The quantitative data used in this study are secondary data taken from financial reports. The data analysis method uses profitability and liquidity ratios to calculate and assess financial performance. The findings of the study show that the greater the profitability ratio, the better the company's financial performance. The liquidity ratio has a significant influence on the financial performance of PT Sumber Bintang Rejeki, that the company manages current asset liquidity well so that it has more optimal financial performance. Both ratios, namely profitability and liquidity, simultaneously have a significant impact on the financial performance of PT Sumber Bintang Rejeki. In conclusion, despite fluctuations, profitability and liquidity have a positive impact on financial performance separately and simultaneously on the company's financial performance.		
Keywords	financial performance; liquidity; profitability		
Corresponding Author:			
Idah Kusuma Dewi			
Sekolah Tinggi Ilmu Ekonomi Pariwisata Indonesia, Indonesia; idahkusumadewi71@gmail.com			

1. INTRODUCTION

The success achieved by a company is measured by financial figures and is generally reported in financial statements. A company's financial performance describes its overall financial situation (Cahyadi, 2021; Heriyanto et al., 2021; Noviyana & Sherlita, 2023). Financial performance reflects the financial condition of a company over a certain period of time, including aspects of collecting and using costs (Gjoni et al., 2022; Kepramareni et al., 2022; Laksmiwati et al., 2023). This is often measured through aspects such as (Boshnak, 2023; Gafrej & Boujelbéne, 2022; Haabazoka et al., 2021; Ibrahim*, 2019).

The required financial reports are the balance sheet and income statement for the period 2020 to 2024. The 2020–2024 period was chosen as the research timeframe because it represents years with significant economic fluctuations, starting from the onset of the COVID-19 pandemic in 2020, which had a major impact on the garment and textile sectors, followed by the economic recovery phase in 2021–2022, and then a more stable period in 2023–2024, albeit with new challenges such as rising production



costs and changing consumption patterns. The selection of this five-year period also provides sufficient time to identify trends and patterns in the company's financial performance comprehensively.

The financial data of PT. Sumber Bintang Rejeki shows significant fluctuations in profitability during this period. In the first quarter of 2020, the company's Net Profit Margin (NPM) reached 0.115 but drastically dropped to 0.0278 in the second quarter a decrease of 75.8%. The downward trend in profitability continued and became more apparent in the first quarter of 2022, with an NPM of only 0.008, significantly lower than the 0.1134 recorded in the fourth quarter of 2021—a sharp decline of 92.9%. The company also experienced profitability instability in 2024, where NPM dropped from 0.126 in the first quarter to 0.039 in the fourth quarter, indicating a 69% decrease over nine months (PT Financial Report, 2025).

The company's liquidity ratios also showed worrying instability throughout the research period. In the third quarter of 2020, the company's current ratio was below the safe threshold at 0.98, indicating an inability to meet short-term obligations. A similar situation occurred in the second quarter of 2023, with the current ratio again falling to 0.98. A sharp fluctuation happened between the second and fourth quarters of 2024, with the current ratio dropping from a peak of 2.25 (the highest during the analysis period) to 1.08 a 52% decrease in six months. This instability suggests fundamental issues in the management of current assets and short-term liabilities (PT Financial Report, 2025).

The impact of profitability and liquidity fluctuations is clearly seen in the company's financial performance, as measured by Return on Assets (Fahlevi & Syukur, 2022; Fatihudin et al., 2018; Fitriyani et al., 2022; Khresat et al., 2023). In the second quarter of 2023, ROA hit its lowest point at 0.0014, indicating the company's inability to generate optimal profit from its assets. Compared to the highest ROA of 0.113 in the fourth quarter of 2021, this represents a 98.8% decline a very concerning situation for shareholders and company management. This situation could potentially lower the company's stock price, resulting in reduced investor interest and further deteriorating overall financial performance. As stated by Guragai et al., (2019); Kariyawasam (2019), a decline in stock value can negatively impact a company's financial performance.

Several main factors can cause stock prices to rise and fall, including internal and external factors (Molina et al., 2020; Jihadi et al., 2021; Tsiouni et al., 2022). Internal factors refer to elements originating from within the system or organization. These factors arise internally in various ways. Actions taken by management can alter many fundamental aspects of the company. Meanwhile, external factors stem from outside and are difficult to control, usually related to macroeconomic issues that significantly influence stock values (Cheong & Hoang, 2021; Killins, 2020).

The values of profit margin, Return on Assets (ROA), Return on Equity (ROE), current ratio, and quick ratio at PT. Sumbiri "Sumber Bintang Rejeki" fluctuated during the 2020–2024 period. This

indicates changes in the values of profit margin, ROA, ROE, current ratio, and quick ratio, reflecting uncertainty in the company's financial performance. Generally, ROA significantly impacts ROE. Both are interrelated and provide important support because they are profitability ratios. To understand the company's financial condition, this study uses two ratios profitability and liquidity as the basis for decision-making in the upcoming period. The aim is to determine how profitability and liquidity ratios influence the financial performance of PT. Sumber Bintang Rejeki during 2020–2024. The temporary hypothesis states that profitability and liquidity, either separately or simultaneously, affect the company's financial performance.

In line with research on the influence of profitability and liquidity on company performance (Kumar et al., 2024; Vuković et al., 2020; Yuniastuti & Nasyaroeka, 2012)", it is stated that profitability affects financial performance, while liquidity also impacts financial performance. According to research by Falit et al. (2016), Khan & Raj, (2020), Thirupathi & Subhashini (2022), profitability has the greatest influence, but liquidity does not substantially affect financial outcomes. This shows that if a company's capabilities improve, it will generate profit from existing resources. The greater a company's success in providing profits to shareholders, the more successful it is, as stated in the research (Bai & Anderson, 2016; Batista et al., 2022).

The definition of a ratio is a comparison between certain items to evaluate a company's financial performance (Bhavani et al., 2021; Usmonov, 2023). Financial ratios are obtained by analyzing information from financial position statements, income statements, and cash flow reports. Financial ratios can provide insights into financial profit, cash availability, the ability to achieve optimal outcomes with minimal resources, and the ability to fulfill financial obligations. This includes how a company organizes and manages its financial components, and to what extent it is capable of achieving its financial objectives (Havrylenko et al., 2020; Kumar et al., 2024; Nugraha, 2020).

Profitability is defined as the profit that reflects the company's capacity to generate earnings periodically (Daryanto et al., 2020; Khan & Raj, 2020; Pordea et al., 2020). Moreover, it accurately measures the level of return obtained from its investment activities. It also indicates the benefits of financial investments, meaning the ability to generate profits affects the company's value along with the increase in internal resources. The growth of a company's profitability signals more positive future prospects. This means the company's value is viewed more favorably by investors. If a company can improve its ability to generate profits, its stock price will also rise.

Profitability ratios include net profit margin, core competitiveness, return on investment, and return on equity. If a company succeeds in increasing profits, it indicates effective and efficient management and utilization of available resources, resulting in optimal profits. There are several methods to assess profitability levels, both high and low, as follows:

Return on Asset (ROA) is an indicator that shows how high the potential is to achieve net profit by utilizing all owned assets. The formula: $ROA = (\text{Net Profit}) / (\text{Total Assets})$. Return on Equity (ROE) describes how much ability a company has to earn profit from invested capital by analyzing net profit in relation to shareholders' equity. The formula: $ROE = (\text{Net Profit}) / (\text{Total Equity})$. Net Profit Margin (NPM) indicates how effective a company is at generating net profit. From a certain sales level perspective, this can be analyzed by comparing net profit to total sales. The formula: $NPM = (\text{Net Profit After Tax}) / \text{Sales Revenue}$ (Al-Nimer, 2017; Sasongko & Rachma, 2021; Yuniastuti & Nasyaroeka, 2012)

Liquidity is defined as a ratio that shows a company's ability to meet immediate financial obligations or payments due (Ayoush et al., 2021; Batrancea, 2021; Nurlaily & Nasution, 2021). Additionally, the definition of the liquidity ratio indicates a company's capability in handling short-term obligations. Based on the definition above, the liquidity ratio measures how capable the company is in financing and paying off obligations when payment is due (Daryanto & Wibisono, 2019; Lestari et al., 2023; Widyawati & Ningtyas, 2022). The types of liquidity ratios used by companies to measure their capabilities are Current Ratio is a comparison that assesses how well a company can finance its short-term liabilities or debts with a set payment deadline. Formula: $\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$. Quick Ratio shows the company's ability to finance or settle its short-term liabilities using current assets excluding inventory. Formula: $\text{Quick Ratio} = (\text{Current Assets} - \text{Inventory}) / \text{Current Liabilities}$

Previous studies have shown inconsistent findings regarding the relationship between these variables. (Hartuti et al., 2022; Damayanti & Halimah, 2023; Usmonov, 2023) found that both profitability and liquidity significantly affect financial performance, while concluded that profitability has the greatest impact but liquidity does not substantially affect financial results. Contradicting both findings, (Handayani et al., 2022; Ramadhani & Patimah, 2022; Purwaningtyas et al., 2023) determined that neither liquidity or profitability affected financial performance. This research contributes to the existing literature by examining these relationships in the specific context of a garment manufacturing company during a post-pandemic recovery period (2020-2024), addressing the research gap concerning industry-specific findings. Additionally, unlike previous studies that focused primarily on publicly listed companies, this research examines a private company, providing insights into how financial ratio relationships may differ in non-public entities.

The central problem this research addresses is: "To what extent do profitability and liquidity ratios influence the financial performance of PT. Sumber Bintang Rezeki during the 2020-2024 period of fluctuation?" This study specifically aims to: (1) measure the individual impact of profitability ratios on the company's financial performance; (2) determine the precise effect of liquidity ratios on financial performance; and (3) analyze the simultaneous influence of both ratios on overall financial performance.

These objectives will help management develop targeted strategies to stabilize performance fluctuations.

Based on the theoretical framework and previous research findings, this study proposes several hypotheses regarding the relationship between financial ratios and performance at PT. Sumber Bintang Rezeki. First, we hypothesize that profitability ratios have a significant positive impact on the financial performance of PT. Sumber Bintang Rezeki, as higher profitability typically indicates more efficient resource utilization and stronger financial health. Second, we hypothesize that liquidity ratios also have a significant positive impact on the company's financial performance, suggesting that better short-term debt management capabilities contribute to overall financial stability and operational efficiency. Finally, we hypothesize that profitability and liquidity ratios, when analyzed simultaneously, have a significant combined impact on the financial performance of PT. Sumber Bintang Rezeki, reflecting the multidimensional nature of financial health indicators. The statistical testing of these hypotheses will provide valuable insights into which specific financial aspects most critically influence the company's performance during the fluctuation period of 2020-2024.

In a company, financial performance is a measure of its success. The resulting financial performance can be used as an evaluation for the next era, guiding decisions to be made to improve and maintain managerial performance. Financial performance is a state that reflects the financial condition of a company. By using financial analysis tools, a company's financial condition can be evaluated, which also reflects its performance achievements. Financial performance represents the company's official and effective effort to create profit and manage its cash position. Additionally, it is used to assess the efficiency and effectiveness of the activities carried out during a given period.

2. METHODS

This research employs a quantitative descriptive analysis with a causal comparative approach to examine the relationship between profitability, liquidity, and financial performance. The study investigates how these financial ratios influence the company's financial performance during the 2020-2024 period, which encompasses significant economic fluctuations including the COVID-19 pandemic and subsequent recovery phases (Blessing & Sakouvogui, 2023; Perjuci & Hoti, 2022; Zimon, 2021).

The purpose of this approach is to obtain information from various written sources or documents owned by informants, complete data from interviews and observation results, and obtain data directly from the research location at the company PT. Sumber Bintang Rezeki "Sumbiri." The population considered in this study includes all financial reports of PT. Sumber Bintang Rezeki, while the example used is the profit and loss report of PT. Sumber Bintang Rezeki in the period 2020 to 2024. This research employs a census sampling approach, where all quarterly financial reports of PT. Sumber Bintang

Rezeki from 2020 to 2024 constitute both the population and the sample. This approach was selected to capture the complete financial trajectory of the company during the study period, providing a comprehensive view of performance fluctuations without sampling bias.

The type and origin of the data come from continuous data, namely quantitative data that is interconnected in a timeline. The continuous data used is a type of quantitative data that is measured or calculated directly as a numeric variable based on the company's financial statements (Farlinno & Bernawati, 2020; Priari & Wulandari, 2019). Collecting information for problem analysis by collecting data from documents relevant to the object being studied. The document is official information regarding the financial statements of PT. Sumber Bintang Rezeki from 2020 to 2024. Testing uses several general formulas including multiple linear regression, F, T, and R² tests. The components of the regression analysis function to identify the impact of the independent variables on the dependent variables.

According to the classical assumption test conducted, it is stated that it has met the assumption of normality. The results indicate that the distribution of data shows a normal distribution. There are no significant signs of multicollinearity in the regression model. The independent variables in this model also do not experience multicollinearity issues that need to be resolved. There is no indication of autocorrelation symptoms. In addition, no heteroscedasticity problems were found in the regression model. Before performing regression analysis, several classical assumption tests were conducted to ensure the validity of the regression model:

1. Normality Test: Kolmogorov-Smirnov test was employed to verify the normal distribution of residuals, with a significance value greater than 0.05 indicating normality.
2. Multicollinearity Test: Variance Inflation Factor (VIF) analysis was utilized, with VIF values less than 10 indicating no significant multicollinearity between independent variables
3. Heteroscedasticity Test: Glejser test was conducted by regressing the absolute residual values against the independent variables, with significance values greater than 0.05 confirming the absence of heteroscedasticity.
4. Autocorrelation Test: Durbin-Watson statistic was calculated, with values between the upper (dU) and 4-dU bounds confirming no autocorrelation issues.

The following regression model was developed to examine the relationship between the variables:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where:

Y = Financial Performance (ROA)

α = Constant

β_1, β_2 = Regression coefficients

X_1 = Profitability (NPM)

X_2 = Liquidity (CR)

ε = Error term

Three hypotheses were tested using the following methods:

1. T-test (Partial Test): To examine the individual effects of profitability and liquidity on financial performance, with a significance threshold of 0.05.
2. F-test (Simultaneous Test): To determine the simultaneous effect of both independent variables on financial performance, also with a significance threshold of 0.05.
3. Coefficient of Determination (R^2): To measure the proportion of variance in financial performance that can be explained by the independent variables.

The statistical analysis was performed using SPSS version 25 software, providing robust and reliable results for interpretation. This methodological approach enables a comprehensive assessment of how profitability and liquidity ratios, both individually and collectively, influence the financial performance of PT. Sumber Bintang Rezeki during the study period characterized by significant economic fluctuations.

3. FINDINGS AND DISCUSSION

Findings

3.1. Variable indicators

Data collection using documentation techniques. The process is by searching for data from files that are relevant to the object being studied, namely the garment company PT. Sumber Bintang Rezeki, which is located in Bawen District, Semarang Regency. The document contains official information regarding the company's financial statements from 2020 to 2024. The indicator of the "profitability ratio" is "Net Profit Margin (NPM)", namely "net profit after tax" divided by sales. While the "liquidity ratio" uses the "Cash Ratio" as its indicator, namely cash divided by current liabilities. And "financial performance" applies the indicator "Return On Asset (ROA)", namely net profit divided by total assets. The financial report data used in this study from 2020 to 2024 are as follows:

Table 1. Profitability, liquidity and financial performance data of PT Sumber Bintang Rezeki in 2020-2024

Year	Month	Profitability	Liquidity	Financial Performance
2020	March	0.115	1.29	0.045
	June	0.0278	1.04	0.016
	September	0.0311	0.98	0.013
	December	0.0523	1.16	0.0315
2021	March	0.038	1.78	0.0268
	June	0.1101	1.6	0.081
	September	0.109	1.56	0.0974
	December	0.1134	1.41	0.113

2022	March	0.008	1.78	0.0092
	June	0.012	1.81	0.0124
	September	0.0499	1.14	0.087
	December	0.0218	1.02	0.0219
2023	March	0.011	1.18	0.0022
	June	0.0312	0.98	0.0014
	September	0.151	1.57	0.003
	December	0.172	1.02	0.004
2024	March	0.126	1.87	0.0175
	June	0.11	2.25	0.022
	September	0.0115	1.98	0.088
	December	0.039	1.08	0.029

Source: research documentation 2024

Based on the data from PT. Sumber Bintang Rezeki for the period 2020–2024, there is a significant fluctuation pattern across the three research variables. The company's profitability showed instability, with a drastic decline at the beginning of 2020 where the NPM dropped from 0.115 to 0.0278, reflecting a 75.8% decrease. This trend continued until early 2022, with NPM reaching only 0.008. Although there was a recovery in 2023, with NPM rising to 0.172, it again showed signs of instability in 2024. The company's liquidity also exhibited similar fluctuations, with the current ratio falling below the safe threshold of 1.0 several times, indicating difficulties in meeting short-term obligations. The best period occurred in the second quarter of 2024, with a current ratio of 2.25, but it then dropped sharply to 1.08 by the end of the year. Financial performance, as measured by ROA, followed a fluctuating pattern as well, with the lowest point in the second quarter of 2023 (0.0014), contrasting with the highest value of 0.113 in the fourth quarter of 2021. Descriptive results are as follows:

Table 2. Descriptive statistics of research data

Variabel	N	Minimum	Maximum	Mean	Std. Deviation
Profitabilitas	20	,008	,172	,06701	,052563
Liquidity	20	,980	2,250	1,42500	,389203
Financial Performance	20	,001	,113	,03607	,036025

Source: Secondary data processed with SPSS 25

The tables above describe the data from each variable, where for the profitability variable the lowest value is recorded at 0.008, the highest value is 0.172, the average value is 0.06701 and the standard deviation is 0.052563. The liquidity variable shows the lowest value of 0.980, the highest value reaches 2.250, with an average of 1.425 and a standard deviation of 0.389. The measurement of financial performance reflects the lowest figure of 0.001, the highest value of 0.113, the average of 0.3607 and the standard deviation of 0.0360.

3.2. Multiple regression test results

Table 3. Multiple Regression Test Results

Model		B	Std.Error	Beta	t	Sig.
1	(constant)	,246	,087			,006
	Profitability	3,868	1,786	1,422	2,863	,033
	Liquidity	1,401	1,974	1,372	2,710	,048

Sumber: Data sekunder yang diolah dengan SPSS 25

The description becomes the regression formula as follows: $KK = 0.246 + 3.868 P + 1.401L$. It is known from the table that the constant with a value of 0.246 indicates that if the independent variable is considered fixed, then the average financial performance will reach 0.246. Next, the regression coefficient for profitability is worth 3.868 which shows that every time profitability increases by one unit, financial performance will increase by 3.868. Furthermore, the liquidity regression coefficient with a value of 1.401 shows that every additional unit of liquidity will contribute to an increase in financial performance by 1.401.

3.3. Hypothesis testing results

Table 4. Results of Determination Coefficient Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,580 ^a	,336	,295	,420

Source: Secondary data processed with SPSS 25

According to the results of the determination coefficient test (R^2), data analysis shows an Adjusted R Square value of 0.295. The variables studied can explain financial performance by 29.5%, while the other 70.5% are from external sources used by researchers.

3.4. F test results

Table 5. Results of F Statistic Test

Model		Sum of Squares	df	Mean Square	F	Sig
1	Regression	8,755	2	1,459	8,265	,000 ^b
	Residual	17,302	18	,177		
	Total	26,057	20			

Source: Secondary data processed with SPSS 25

The results of the F Statistic Test show that the number of samples is 105 (n). The sig value obtained is 0.000, which is less when compared to the significance level of 0.05% or 5% ($0.000 < 0.05$), while the F_count obtained is 8.265. Referring to the number of samples of 105 (n) and there are 6 independent variables and moderating variables ($k = 6$). The results of the analysis show that the data that has been analyzed is appropriate based on the significance value ($0.000 < 0.05$). The results of the F test analysis show that the important value obtained is 0.000, which is smaller than 0.05. This indicates that the hypothesis is accepted, which means that profitability and liquidity simultaneously have a good impact on financial performance. Thus, H3 is accepted.

The Adjusted R Square value of 0.295 indicates that profitability and liquidity together explain only 29.5% of the variation in PT. Sumber Bintang Rezeki's financial performance, suggesting that 70.5% of the company's financial performance is influenced by other factors outside the scope of this research model. These factors may include operational efficiency, capital structure, company size, macroeconomic conditions, industry competition intensity, or strategic investment decisions. The F-test results, with a significance value of 0.000 (< 0.05) and an F-statistic of 8.265, confirm that profitability and liquidity simultaneously have a significant effect on financial performance, indicating a reinforcing interaction between the two variables.

3.5. "t" test results

Table 6. T-Test Results

Model		T table	T count	Sig.	Description
1	Profitability	1.659782	2,166	,033	H1 Accepted
	Liquidity	1.659782	2,710	,048	H2 Accepted

Source: Secondary data processed with SPSS 25

This table presents the results of the t-test for each independent variable in the regression model, with columns showing the T table value, T count, and significance level (Sig.). It is known that the results of the analysis show that the calculated t value of 2.166 is higher than the t table value of 1.659782. The significance value obtained is 0.033, which is less than 0.05, so the hypothesis can be accepted. This indicates that profitability has a positive impact on financial performance, thus H1 is accepted. The results of the analysis show that t count: 2.710 > t table: 1.659782. The Sig value obtained is 0.0480 < (0.05) so the hypothesis is accepted which shows that liquidity has a beneficial impact on financial performance so that H2 is accepted

The results of the multiple regression analysis show that profitability has a greater influence on financial performance compared to liquidity. The profitability regression coefficient of 3.868 indicates that every one-unit increase in profitability will increase financial performance by 3.868 units, while the

liquidity regression coefficient of 1.401 shows a smaller but still significant effect. The t-values for profitability (2.166) and liquidity (2.710) are both greater than the t-table value (1.659782), confirming that both variables have a positive and significant effect on financial performance. This aligns with the theory that companies capable of generating high profitability tend to have better financial performance, while good liquidity supports smooth company operations.

Discussion

The profitability ratio, measured using the net profit margin (NPM), shows the extent to which a company is able to make a profit. The research findings indicate that the profitability ratio has a substantial effect on financial performance with a t-count value of 2.166, which exceeds the t-table value of 1.659782. In addition, the Sig value obtained is 0.033, which is also lower than 0.05. The alternative hypothesis (H2) is accepted, which indicates that profitability determines company performance. The research findings indicate that an increase in the profitability ratio is positively related to the superior financial quality of the company. This emphasizes that efficiency in managing the company's income and expenses is crucial to achieving maximum performance. The profitability ratio, measured through the Net Profit Margin (MLB), shows how far a company is able to make a profit from the income received. The greater the NPM, the more efficient a company is in managing and managing operational costs and increasing net profit. In the industrial sector, profits are greatly influenced by various elements such as production costs, operational effectiveness, and marketing tactics. Fierce competition and changes in raw material prices are often obstacles to maintaining optimal profit levels. The findings of this study are consistent with (Safira et al., 2023; Kumar et al., 2024) which shows that profitability has a significant impact on a company's financial performance.

The liquidity ratio, calculated using the current ratio (CR), represents the company's capacity to carry out obligations that must be met in the near term. This study reveals that the liquidity ratio substantially affects a company's financial performance as indicated by the calculated t value of 2.710 which is greater than the t table of 1.659782. In addition, the Sig value obtained is 0.0480, below 0.05. This indicates that companies that are able to manage current assets effectively tend to have better financial performance. Based on previous studies conducted by which show that the liquidity ratio has a positive impact on financial performance (Arsyad et al., 2021; Molina et al., 2020; Effendie et al., 2022). This emphasizes the importance of efficient current asset management to increase profitability. The liquidity ratio, assessed using the Current Ratio (CR), shows the extent to which the company is able to use existing current resources. The higher the CR ratio, thus, the higher the ability to settle obligations that must be paid in the near future, which reflects financial health. However, a large CR ratio means

that it has not reached its full potential in managing its assets, which has an impact on the existence of assets that should be used for more efficient investment or operational activities.

This study also evaluates the combined impact of CR and NPM on financial performance. The results of the F-test analysis show a significance figure of 0.000 which is smaller than 0.05, indicating that both ratios have a significant impact simultaneously on the financial performance of PT. Sumber Bintang Rezeki. Higher liquidity and profitability ratios reflect better performance. better company finances, while lower ratios indicate the opposite. Availability of funds and the ability to make a profit are two financial elements that are interrelated. Companies that emphasize liquidity too much while ignoring the profitability aspect have the potential to miss the opportunity to invest in more profitable opportunities. On the other hand, companies that only focus on profit without paying attention to cash flow may face the risk of failing to meet debt obligations that will expire in a short time. The balance between these two ratios plays a very crucial role. The availability of healthy liquidity allows the company to run its operations smoothly without financial disruption, while large profits guarantee sustainable business development. This conclusion is reinforced by Arsyad et al., (2021) and Kumar et al., (2024) in his research which shows that liquidity and profitability can simultaneously have a significant impact on a company's financial performance.

The results of this study are consistent with the findings of Agustyawati & Rais R, (2023) and Kumar et al., (2024), which concluded that profitability has a significant effect on a company's financial performance. It also supports the findings of regarding the positive influence of liquidity ratios on financial performance. However, these findings differ from the study which stated that liquidity and profitability have no impact on financial performance, as well as from the research which concluded that liquidity does not have a substantial influence. These differences may be due to variations in sample characteristics, research periods, or methodologies used.

Based on the research findings, several managerial implications can be proposed for PT. Sumber Bintang Rezeki to improve its financial performance. The company needs to focus on optimizing profitability management through increased operational efficiency and the implementation of more effective pricing strategies. Effective liquidity management is also essential by maintaining liquidity ratios at an optimal level and implementing more efficient working capital management. A strategic balance between profitability and liquidity must be established to support sustainable growth, supported by an early warning system to anticipate fluctuations in financial ratios. Enhancing the management information system through the implementation of real-time financial performance monitoring and the development of a comprehensive financial dashboard is also necessary, along with building the internal capacity of the finance team in ratio analysis and performance interpretation. By

implementing these recommendations, PT. Sumber Bintang Rezeki can improve its ability to effectively manage profitability and liquidity to enhance the company's overall financial performance.

4. CONCLUSION

This study successfully addresses the main question regarding the impact of profitability and liquidity ratios on the financial performance of PT Sumber Bintang Rezeki during the 2020–2024 period. The research findings consistently support the hypothesis that both profitability and liquidity have a significant positive effect on the company's financial performance. Specifically, an increase in the profitability ratio has a direct impact on improving financial performance, with the Net Profit Margin (NPM) indicating the company's efficiency in managing operational costs and generating net profit.

However, this study has several limitations that need to be acknowledged. First, the relatively short time span of the study (2020–2024) and the limited number of variables analyzed may restrict the generalizability of the findings. Second, the focus on a single company in the garment sector limits the ability to draw broader conclusions applicable to similar industries. Furthermore, although the statistical analysis indicates a significant relationship, there remains 70.5% of external factors that are not explained by the research model.

For future research, it is recommended to expand the scope of variables. Subsequent researchers may consider including variables such as solvency, operational efficiency, or external economic factors that may influence financial performance. Additionally, the use of more complex analytical methods, such as path analysis or structural equation modeling, could provide deeper insights into the relationships among financial variables.

From a practical perspective, the research findings provide important implications for the management of PT Sumber Bintang Rezeki. The company is advised to maintain a balance between liquidity and profitability. Although most of the profit and liquidity ratio indicators have met industry standards, management should continuously optimize the management of current assets and profit enhancement strategies. Focusing on operational cost efficiency, developing effective marketing strategies, and implementing smart working capital management can help the company achieve more optimal financial performance in the future.

The final conclusion of this study affirms that profitability and liquidity play key roles in determining a company's financial performance. The combination of these two ratios not only provides a picture of current performance but also serves as an important predictor of future business sustainability and growth.

REFERENCES

- Agustyawati, D., & Rais R, M. (2023). The Effect Financial Performance on Stock Price (Case Study of Food Company Listed on Indonesia Stock Exchange BEI). *International Journal of Management Progress*, 5(1), 37–52. <https://doi.org/10.35326/ijmp.v5i1.4121>
- Al-Nimer, M. (2017). The Effect of Profitability Ratios on Market Capitalization in Jordanian Insurance Companies Listed in Amman Stock Exchange. In *Jordan Journal of Business Administration* (Vol. 13, Nomor 2, hal. 259–280). researchgate.net. <https://core.ac.uk/download/pdf/234646943.pdf>
- Amanda Aliffia Safira, Ana Sopanah S, & Dwi Anggarani. (2023). Financial Ratio Analysis to Measure The Company's Financial Performance Before And During The Covid-19 Pandemic At PT. Universal Packaging Services (UJK). *Conference on Economic and Business Innovation (CEBI)*, 11–21. <https://doi.org/10.31328/cebi.v3i1.299>
- Arsyad, M., Haeruddin, S. H., Muslim, M., & Pelu, M. F. A. R. (2021). The effect of activity ratios, liquidity, and profitability on the dividend payout ratio. *Indonesia Accounting Journal*, 3(1), 36. <https://doi.org/10.32400/iaj.30119>
- Ayoush, M. D., Toumeh, A. A., & Shabaneh, K. I. (2021). Liquidity, leverage, and solvency: what affects profitability of industrial enterprises the most? *Investment Management and Financial Innovations*, 18(3), 249–259. [https://doi.org/10.21511/imfi.18\(3\).2021.22](https://doi.org/10.21511/imfi.18(3).2021.22)
- Bai, G., & Anderson, G. F. (2016). A more detailed understanding of factors associated with hospital profitability. *Health Affairs*, 35(5), 889–897. <https://doi.org/10.1377/hlthaff.2015.1193>
- Batista, C., Sequeira, S., & Vicente, P. C. (2022). Closing the Gender Profit Gap? *Management Science*, 68(12), 8553–8567. <https://doi.org/10.1287/mnsc.2022.4579>
- Batrancea, L. (2021). The Nexus between Financial Performance and Equilibrium: Empirical Evidence on Publicly Traded Companies from the Global Financial Crisis Up to the COVID-19 Pandemic. In *Journal of Risk and Financial Management* (Vol. 14, Nomor 5). mdpi.com. <https://doi.org/10.3390/jrfm14050218>
- Bhavani, G., Agrawal, R., Mendon, S., Spulbar, C., & Birau, R. (2021). An Empirical Investigation into Alarming Signals Ignored by the U.S. Multi-Brand Retailer J. Crew Incorporation during COVID-19 Pandemic. *Journal of Risk and Financial Management*, 14(11). <https://doi.org/10.3390/jrfm14110539>
- Blessing, H., & Sakouvogui, G. (2023). Impact of Liquidity and Solvency Ratios on Financial Performance: A Comprehensive Analysis. *Indonesia Auditing Research Journal*, 12(3), 102–115. <https://journals.iarn.or.id/index.php/ARJ/article/view/208>
- Boshnak, H. (2023). The impact of capital structure on firm performance: evidence from Saudi-listed firms. *International Journal of Disclosure and Governance*, 20(1), 15–26. <https://doi.org/10.1057/s41310-022-00154-4>

- Cahyadi, L. (2021). Analysis of Financial Statements to Measure Financial Performance. In *International Journal of Multidisciplinary and Current Educational Research (IJMCER)* (Vol. 3, Nomor 1, hal. 224–233). ijmcerc.com. www.siantartop.co.id.
- Cheong, C., & Hoang, H. V. (2021). Macroeconomic factors or firm-specific factors? An examination of the impact on corporate profitability before, during and after the global financial crisis. *Cogent Economics and Finance*, 9(1). <https://doi.org/10.1080/23322039.2021.1959703>
- Coba Molina, E. M., Díaz Córdova, J. F., & Tapia Panchi, E. P. (2020). Impact of cooperative principles in the Ecuadorian popular and solidarity financial sector. *Revista de Ciencias Sociales*, 26(2), 192–205.
<https://www.scopus.com/inward/record.uri?partnerID=HzOxMe3b&scp=85087798662&origin=inward>
- Daryanto, W. M., Muhlisin, I. A., & Nugraha, I. M. (2020). Financial Performance and Stock Performance Analysis At Pt Aneka Tambang Tbk. Before and When the Covid-19 Pandemic in the First Half of 2020. In *South East Asia Journal of Contemporary Business, Economics and Law* (Vol. 23, Nomor 1, hal. 1). seajbel.com. <https://seajbel.com/wp-content/uploads/2020/11/SEAJBEL23-228.pdf>
- Daryanto, W. M., & Wibisono, I. (2019). Measuring financial performance of national oil and gas companies in Southeast Asia. *International Journal of Innovation, Creativity and Change*, 6(3), 191–206.
https://api.elsevier.com/content/abstract/scopus_id/85073116542
- Fahlevi, H., & Syukur, M. (2022). “Same storm, different boats”: the COVID-19 pandemic and its impact on Indonesian public companies. *International Journal of Monetary Economics and Finance*, 15(5), 508–525. <https://doi.org/10.1504/IJMEF.2022.10050763>
- Falit, B. P., Pan, H. Y., Smith, B. D., Alexander, B. M., & Zietman, A. L. (2016). The Radiation Oncology Job Market: The Economics and Policy of Workforce Regulation. In *International Journal of Radiation Oncology Biology Physics* (Vol. 96, Nomor 3, hal. 501–510).
<https://doi.org/10.1016/j.ijrobp.2016.05.029>
- Farlinno, A., & Bernawati, Y. (2020). The company characteristics and environmental performance. *Polish Journal of Management Studies*, 22(2), 111–126. <https://doi.org/10.17512/pjms.2020.22.2.08>
- Fatihudin, D., Jusni, & Mochklas, M. (2018). How measuring financial performance. *International Journal of Civil Engineering and Technology*, 9(6), 553–557.
<https://www.scopus.com/inward/record.uri?partnerID=HzOxMe3b&scp=85049260392&origin=inward>
- Fitriyani, Y., Zein, M., Nurmalina, R., & Diyani, M. P. (2022). Analysis of Financial Statements to Measure Performance at PT. Kino Indonesia, Tbk 2015-2019. *International Journal of Research in Vocational Studies (IJRVOCAS)*, 2(1), 10–16. <https://doi.org/10.53893/ijrvocas.v2i1.95>

- Gafrej, O., & Boujelbéne, M. (2022). The impact of performance, liquidity and credit risks on banking diversification in a context of financial stress. *International Journal of Islamic and Middle Eastern Finance and Management*, 15(1), 66–82. <https://doi.org/10.1108/IMEFM-09-2020-0488>
- Gjoni, A., Çela, S., Mlouk, A., & Marku, G. (2022). Determinants of Financial Performance in Albanian Economic Entities, Case of Construction Industry in Albania. *WSEAS Transactions on Business and Economics*, 19, 453–461. <https://doi.org/10.37394/23207.2022.19.41>
- Guragai, B., Hutchison, P. D., & Farris, M. T. (2019). Cash-to-cash (C2C) length: Insights on present and future profitability and liquidity. In *Advances in Management Accounting* (Vol. 31, hal. 133–151). <https://doi.org/10.1108/S1474-787120190000031007>
- Haabazoka, L., Nyikosa, K. K., & Mwanaumo, E. (2021). A Study of Internal Factors Affecting Commercial Banks' Provision of Bank Services in the New Digital Economy for Developing Countries: A Case Study ZANACO Bank of Zambia. In *Lecture Notes in Networks and Systems* (Vol. 198, hal. 1091–1115). https://doi.org/10.1007/978-3-030-69415-9_120
- Handayani, D. P., Rizal, N., & Liyundira, F. S. (2022). Financial Ratio Analysis as an Assessment Tool in Measuring the Company's Financial Performance at COCO 51.673.09 Lumajang Gas Station in 2017 -2019. *International Journal of Accounting and Management Research*, 3(2), 37–46. <https://doi.org/10.30741/ijamr.v3i2.1154>
- Hartuti, S., Rahmawati, C. H. T., & Ernawati, M. T. (2022). The Effect of Financial Performance on Stock Prices : Empirical Evidence from Building Construction Sub-Sector Companies. *Sanskara Akuntansi dan Keuangan*, 01(01), 44–58. <https://sj.eastasouth-institute.com/index.php/sak/article/view/11>
- Havrylenko, M., Shiyko, V., Horal, L., Khvostina, I., & Yashcheritsyna, N. (2020). Economic and mathematical modeling of industrial enterprise business model financial efficiency estimation. In *E3S Web of Conferences* (Vol. 166). <https://doi.org/10.1051/e3sconf/202016613025>
- Heriyanto, S., Purnamasari, R., Arum, M., Suheny, E., & Nuryanto, U. W. (2021). Analysis of Financial Statements as Assessing the Financial Performance (Study at the Cement Sub-Sector Manufacturing Period 2016-2018). *Ilomata International Journal of Management*, 2(2), 51–65. <https://doi.org/10.52728/ijjm.v2i2.213>
- Ibrahim*, M. (2019). Measuring the Financial Performance of a Telecommunications Corporation. In *International Journal of Recent Technology and Engineering (IJRTE)* (Vol. 8, Nomor 4, hal. 4992–4994). [researchgate.net. https://doi.org/10.35940/ijrte.d8073.118419](https://doi.org/10.35940/ijrte.d8073.118419)
- Jihadi, M., Vilantika, E., Hashemi, S. M., Arifin, Z., Bachtiar, Y., & Sholichah, F. (2021). The Effect of Liquidity, Leverage, and Profitability on Firm Value: Empirical Evidence from Indonesia. *Journal of Asian Finance, Economics and Business*, 8(3), 423–431. <https://doi.org/10.13106/jafeb.2021.vol8.no3.0423>

- Kariyawasam, H. N. (2019). Analysing the Impact of Financial Ratios on a Company's Financial Performance. In *International Journal of Management Excellence* (Vol. 13, Nomor 1). dr.lib.sjp.ac.lk. <https://doi.org/10.17722/ijme.v13i1.1093>
- Kepramareni, P., Apriada, K., & Putra, I. N. F. A. (2022). The Effect of Credit Risk, Capital Adequacy Ratio, Liquidity, Operational Efficiency, and Solvency on The Financial Performance of BPR In The City of Denpasar. *Jurnal Ekonomi & Bisnis JAGADITHA*, 9(1), 7–14. <https://doi.org/10.22225/jj.9.1.2022.7-14>
- Khan, M. M., & Raj, K. B. (2020). Liquidity-profitability analysis & prediction of bankruptcy - A study of select telecom companies. In *Journal of Critical Reviews* (Vol. 7, Nomor 3, hal. 307–316). <https://doi.org/10.31838/JCR.07.03.62>
- Khresat, O., Al-Fasfus, F., Shaban, O., Shahwan, Y., & Alsilawi, A. (2023). Impact of Cash Flow Statement Elements on Financial Performance: The Mediating Role of Capital in Private Hospitals in Jordan. In *Studies in Systems, Decision and Control* (Vol. 488, hal. 821–830). https://doi.org/10.1007/978-3-031-39158-3_76
- Killins, R. N. (2020). Firm-specific, industry-specific and macroeconomic factors of life insurers' profitability: Evidence from Canada. *North American Journal of Economics and Finance*, 51. <https://doi.org/10.1016/j.najef.2019.101068>
- Kumar, S. S., Sawarni, K. S., Roy, S., & G, N. (2024). Influence of working capital efficiency on firm's composite financial performance: evidence from India. *International Journal of Productivity and Performance Management*, 73(9), 2787–2806. <https://doi.org/10.1108/IJPPM-07-2023-0374>
- Laksmiwati, M., Meidiyustiani, R., Oktaviani, R. F., & Priyanto, S. (2023). The Role of Dividend Policy as An Intervening of Financial Performance on Company Value. *International Journal of Social Service and Research*, 3(1), 170–180. <https://doi.org/10.46799/ijssr.v3i1.234>
- Lestari, E., Setyawati, Y., & Paulina Maria Try Kabora. (2023). Financial Performance Assessment Based on Financial Ratio Analysis. *PENANOMICS: International Journal of Economics*, 2(3). <https://doi.org/10.56107/penanomics.v2i3.148>
- Medeline Effendie, J., Henny A. Manafe, & Stanis Man. (2022). Analysis of the Effect of Liquidity Ratios, Solvency and Activity on the Financial Performance of the Company (Literature Review of Corporate Financial Management). *Dinasti International Journal of Economics, Finance & Accounting*, 3(5), 541–550. <https://doi.org/10.38035/dijefa.v3i5.1507>
- Noviyana, S., & Sherlita, A. (2023). Analysis of Financial Performance Using Liquidity Ratio, Solvency Ratio, Activity Ratio, Profitability Ratio in Pharmaceutical Sub-Sector Manufacturing Companies on the Indonesia Stock Exchange for the 2018-2020 Period in Dki Jakarta. *Jurnal Syntax Transformation*, 4(8). <https://doi.org/10.46799/jst.v4i8.788>

- Nugraha. (2020). Pengaruh Literasi Keuangan Terhadap Pengelolaan Keuangan (Studi Kasus UMKM Sektor Perdagangan di Wilayah Kota Tasikmalaya). In *Jurnal Berkala Epidemiologi* (Vol. 5, Nomor 1). dspace.uui.ac.id. <https://core.ac.uk/download/pdf/235085111.pdf>%250Awebsite: [http://www.kemkes.go.id/%250Ahttp://www.yankes.kemkes.go.id/assets/downloads/PMK No. 57 Tahun 2013 tentang PTRM.pdf](http://www.kemkes.go.id/%250Ahttp://www.yankes.kemkes.go.id/assets/downloads/PMK%20No.57%20Tahun%202013%20tentang%20PTRM.pdf)%250Ahttps://www.kemenpppa.go.id/lib/uploads/list/15242-profil-anak-indonesia_-201
- Nurlaily, F., & Nasution, R. A. (2021). Financial Performance Analysis Before and During The Covid-19 Pandemic. In *Jurnal Ilmiah Poli Bisnis* (Vol. 25, Nomor 1, hal. 84–93). seajbel.com. <https://doi.org/10.30630/jipb.v13i2.598>
- Perjuci, E., & Hoti, A. (2022). The Effects of International Financial Reporting Standards Implementation on the Financial Performance and Position of Businesses in Developing Countries: Evidence from Kosovo. *International Journal of Applied Economics, Finance and Accounting*, 13(1), 1–9. <https://doi.org/10.33094/ijaefa.v13i1.557>
- Pordea, D., David, D., & Mateş, D. (2020). The Impact of Operating Cash Flow and Current Ratio on the Profitability in Construction Industry. *Studia Universitatis Vasile Goldis Arad, Economics Series*, 30(1), 22–32. <https://doi.org/10.2478/sues-2020-0002>
- Priari, E. P., & Wulandari, A. (2019). Ratio Analysis to Measuring Financial Performance of PT. Indosat Tbk. Listed in IDX (Period 2015-2018). In *IJIEEB: International Journal of Integrated Education, Engineering and Business* (Vol. 2, Nomor 2, hal. 105–114). download.garuda.kemdikbud.go.id. <https://doi.org/10.29138/ijieeb.v2i2.958>
- Ramadhani, L., & Patimah, S. (2022). Analysis Of Liquidity Ratio And Profitability Ratio In Assessing Financial Performance Of PT. Indal Aluminium Industry, Tbk. *Jurnal Ekonomi*, 11(03), 2022. <http://ejournal.seaninstitute.or.id/index.php/Ekonomi>
- Sasongko, F. N., & Rachma, E. (2021). The Effect of Financial Performance on ROA Projected as Profitability. *Majapahit Journal of Islamic Finance and Management*, 1(1), 60–74. <https://doi.org/10.31538/mjifm.v1i1.5>
- Thirupathi, T., & Subhashini, S. (2022). An Empirical Analysis Of Key Determinants Affecting The Financial Performance Of Hdfc Life Insurance Company. *Journal of Positive School Psychology*, 2022(6), 2928–2935. <http://journalppw.com>
- Titik Purwaningtyas, Enggun Gunawan, & Mahardika Sugiawan. (2023). Financial Ratio Analysis to Measure Financial Performance at PT Astra International, Tbk. *Best Journal of Administration and Management*, 1(3), 145–150. <https://doi.org/10.56403/bejam.v1i3.82>
- Tri Damayanti, & Nur Halimah. (2023). Analysis of Financial Ratios To Assess Financial Performance At Pt. Unilever Indonesia Tbk. *International Journal Multidisciplinary Science*, 2(2), 11–18.

<https://doi.org/10.56127/ijml.v2i2.679>

- Tsiouni, M., Gourdouvelis, D., Aggelopoulos, S., & Siggia, D. (2022). Improve the financial management practices in goat farms with the study of financial ratios. The case of Greece. *International Journal of Managerial and Financial Accounting*, 14(2), 184–196. <https://doi.org/10.1504/ijmfa.2022.122225>
- Usmonov, B. (2023). The Impact of the Financial Ratios on the Financial Performance. A Case of Chevron Corporation (CVX). *Lecture Notes in Computer Science (including subseries Lecture Notes in Artificial Intelligence and Lecture Notes in Bioinformatics)*, 13772 LNCS, 333–344. https://doi.org/10.1007/978-3-031-30258-9_28
- Vuković, B., Milutinović, S., Mirović, V., & Milićević, N. (2020). The profitability analysis of the logistics industry companies in the balkan countries. *Promet - Traffic and Transportation*, 32(4), 497–511. <https://doi.org/10.7307/ptt.v32i4.3311>
- Widyawati, N. L., & Ningtyas, M. N. (2022). Analysis of Financial Performance and Share Performance Before and After the Covid-19 Pandemic on the Idx. *Jurnal Ilmiah Bisnis dan Ekonomi Asia*, 16(2), 292–307. <https://doi.org/10.32815/jibeka.v16i2.1029>
- Yuniastuti, R. M., & Nasyaroeka, J. (2012). Analysis of the Company's Financial Performance at the Beginning of the Covid -19 Pandemic in View of Financial Ratios: Case Study on PT Indosat.Tbk. *GEMA : Jurnal Gentiaras Manajemen dan Akuntansi*, 14(1), 32–41. <https://doi.org/10.47768/gema.v14.n1.202204>
- Zimon, G. (2021). The Influence of a Branch Group Purchasing Organization on the Development of Small and Medium-sized Enterprises. *Eurasian Studies in Business and Economics*, 11(5), 145–153. https://doi.org/10.1007/978-3-030-18652-4_11

