

THE EFFECT OF LIQUIDITY, LEVERAGE, SOLVENCY AND SALES GROWTH ON PROFITABILITY

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ABSTRACT

The company has the main goal of maximizing the profits obtained, the maximum profit obtained by the company from the sale of goods or services offered. By utilizing profitability ratios, understand the level of financial health of a company, as well as identify potential obstacles that the company may face in the future and the factors that cause them. The objective of this research is to collect empirical evidence about how liquidity, leverage, solvency and sales growth affect profitability in food and beverage sub-sector companies listed on the Indonesia Stock Exchange (BEI) in 2019 – 2022. The sampel criteria in this research are sub-sector companies food and beverage listed on the Indonesia Stock Exchange (BEI) for the 2019-2022 period, food and beverage sub-sector companies that earned positive profits during the 2019-2022 period, as well as food and beverage sub-sector companies that published financial reports consecutively during the period 2019-2022. The research result can be concluded that partially liquidity has a positive affect on profitability (ROA) and liquidity does not have a positive affect on profitability (ROE). Leverage does not have a negative affect on profitability (ROA & ROE). Solvency does not have a negative affect on profitability (ROA & ROE). Sales Growth does not have a positive affect on profitability (ROA & ROE).

Keywords : *Liquidity, Leverage, Solvency, Sales Growth, Profitability*

INTRODUCTION

The company's goal is to maximize profits, the maximum profit obtained by the company from the sale of goods or services offered (Afrianti & Purwaningsih, 2022). By utilizing profitability ratios, it can understand the level of financial health of a company and identify potential obstacles that the company may face in the future and the factors that cause them (Amelia et al., 2023). To ensure survival, a company must always operate in a condition that generates profits (Nugroho, 2020). To keep profits maximized, the company needs to optimize resources efficiently (Anggraini & Agustiningsih, 2022). Because the greater the operational efficiency, the greater the profits the company will generate (Syahzuni et al., 2022). With large profits earned, it will attract interest from various parties, one of which is investors, because they want to know how long the company can maintain the profits obtained from sales activities and company capital (Margono & Gantino, 2021).

There are many factors that can affect the level of profit of a company, one of which is liquidity. Company liquidity affects overall financial health, because of the company's liquidity ability to pay off short-term debt when it matures (Sunardi et al., 2021). A high level of liquidity is able to fulfill its short-term financial obligations, so

that it can have a positive impact on the company's financial condition and the company is declared liquid (Afrianti & Purwaningsih, 2022).

In the business world, Leverage has a relationship between the company's debt to capital, this ratio can also see how far the company is financed by loans or outsiders with the company's skills interpreted by capital (Widyastuti, 2019). So a company that has a large profit must have low debt so it can be said that leverage has a negative impact on profitability (Afrianti & Purwaningsih, 2022).

Solvency can provide information about the company's ability to pay off all of its obligations using all of its assets (Wulandari et al., 2023). Solvency affects a company's potential to gain access to loan funds, financing and investment capital injections. This is because solvency reflects the company's financial health and stability conditions in the long and short term (Siregar et al., 2021). Sales growth has an impact on the company's ability to earn profits and maintain profits to fund the company's future investments (Anggraeni et al., 2022). Companies that experience an increase in profits will have a larger surplus of profits than retained earnings (Wahyudi, 2020).

Previous researchers conducted by Shabaneh et al. (2021) discusses the results of the relationship between liquidity, leverage, and solvency on profitability, from the results of the study it can be concluded that liquidity has no effect on profitability. however, the relationship between leverage has a negative effect on profitability, then has a relationship that solvency has no effect on profitability. According to Hamid (2023); Pereira & Setiawan (2021); Kristin et al. (2022); Kurniawan & Heryati (2023); Hidayat & Dewi (2022); Widayat et al. (2021); Kusmawati (2020); Sormin & Yolanda (2023) there is no influence between liquidity and profitability. Different opinion from Ugwuanyi & Edeh (2023); Budiono et al. (2022); Faisal et al. (2023); Saleh et al. (2021) which explains that liquidity has a positive effect on profitability. A different opinion is also given by Lestari et al (2023) which explains that liquidity has a negative effect on profitability. According to Amar et al. (2022); Sani & Dinuka (2023); AL-Habashneh (2022); Kurniawan & Heryati (2023); Saleh et al. (2021); Nugraha et al. (2021); Lestari et al. (2023) leverage has a negative effect on profitability. Different opinion with Success et al. (2022); Hidayat & Dewi (2022) which explains that leverage has a positive effect on profitability. Different opinion from Rismala et al. (2023) which explains that Leverage has no effect on profitability. According to Hamid (2023); Ugwuanyi & Edeh (2023); Kristin et al (2022); Yenni et al. (2021); Kusmawati (2020); Sormin & Yolanda (2023) the relationship between solvency and profitability is influential. According to Widayat et al. (2021) solvency has no effect on profitability.

Based on the results of previous studies that discuss the effect of liquidity, solvency and leverage on profitability, there are differences from previous researchers by adding sales growth as an independent variable, because investors are more interested in investing in companies that have increased sales and profits and vice versa if sales and profits decline then investors are not interested in investing in the company (Nur & Mahiri, 2022). And using the food and beverage sector as a place for research, because this company has a stable nature and is not easily affected by current economic conditions, one of which is inflation, so that this company has a significant opportunity to develop which is supported by strong creativity and innovation. The profits earned by this

company can be used as an indicator of the company's performance and management efficiency to generate maximum profits (Kristin et al., 2022).

The purpose of this research is to collect empirical evidence about how liquidity, leverage, solvency and sales growth affect profitability in food and beverage companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2022. This can help internal management parties who are trying to increase the company's profitability and can help investors or other parties to invest in the company.

LITERATURE REVIEW

Signaling Theory

Spence (1973) argues that signaling theory is an allocation obtained by the company to provide cues to investors regarding how management views the company's development. Signaling theory is shown to illustrate how a business company communicates a signal to interested parties, namely investors who use the information as a basis in formulating business strategies (Anggraini & Agustiningsih, 2022). Broadly speaking, there is a significant relationship with profitability because companies that have good profitability tend to give positive signals to external parties so as to increase the value and reputation of the company. Poor profitability will give negative signals to external parties so that it can reduce the value and reputation of the company (Sani & Dinuka, 2023).

Liquidity

Liquidity is one indicator that can be used to identify the company's ability to pay off its short-term debt (Aldboush et al., 2023). The liquidity ratio provides a reflection of an entity's ability to pay off short-term debt by quickly converting its assets into cash (Tjahjadi & Hermanto, 2021). If the company has the ability to pay off its short-term debt when it matures, then this company can be said to be a liquid company (Idi et al., 2021). By the large level of liquidity held, companies can observe the company's ability to pay off debts that are due immediately (Afrianti & Purwaningsih, 2022).

Leverage

Leverage is used to measure a company's ability to carry out all current or future obligations (Margono & Gantino, 2021). Leverage is one way that is shown to increase profits by using debt as a source of funding. However, the use of debt in the company's operational activities can pose risks that affect the company's profits (Afrianti & Purwaningsih, 2022). In this study, leverage serves to determine how much of the company's capital can be shown as collateral for debt (Syah et al., 2022). Before investing, investors generally want to pay attention to the level of risk experienced by the company, if the company's risk level is high, the needs of shareholders who want to invest will decrease (Yana & Agustiningsih, 2022).

Solvency

Solvency is a company's ability to meet its long-term financial obligations (Aziz & Hariatih, 2022). This ratio is shown to measure the extent to which the company can pay its debts using all its assets (Syahzuni et al., 2022). A company can be categorized as

solvable if the entity has sufficient assets or assets to pay off its debts. Conversely, if the total assets or assets are insufficient to pay off the debts, then the company is in an insolvable condition (Juliar & Wahyudi, 2023). Solvency can affect a company's ability to obtain loan funds, financing and investment capital. This is because solvency reflects the current situation of the company and its long-term financial stability as indicated by the ratio of assets to liabilities (Gomes et al., 2023).

Sales Growth

Stable sales growth is growth that requires planning, strategy and the need to fund the expansion that underlies all financial needs. (Defi & Wahyudi, 2022). Significant sales growth reflects how much increase in profits a company has (Idi et al., 2021). Sales companies have benefits for the sustainability and financial development of a company. If a company is able to achieve an increase in sales growth, then its business expansion can be carried out with sufficient skills (Šarlija et al., 2023). High sales growth can reflect an increase in profits, so dividend payments tend to increase. Companies that experience an increase in profits have a larger amount of retained earnings (Iskandar, 2021). To find out the development of a company's profits, financial ratio analysis is needed because financial ratios can relate estimates contained in the balance sheet and income statement, and indicate an increase or decrease in sales growth (Harinuddin, 2023).

Profitability

The profitability ratio is one of the benchmarks used to calculate a company's ability to generate profits or profits relative to funding over a certain period of time (Tjahjadi & Hermanto, 2021). This is because profitability is valued by the company's success in managing its assets (Syahzuni et al., 2022). Companies that generate significant profits tend to use a portion of their profits for investment and operational financing (Syah et al., 2021). With the high level of profit of a company, the welfare of shareholders as one of the company's stakeholders will also increase (Margono & Gantino, 2021). If the profits earned by the company are high, this can be used as an option by investors to invest their capital in the company (Kalbuana et al., 2022).

RELATIONSHIP BETWEEN VARIABLES

Relationship between Liquidity and Profitability

The ability to transform a certain amount of current assets into cash and the overall financial condition of an organization is influenced by its level of liquidity (Edeh & Ugwuanyi, 2023). So it can be said that the company is liquid (Idi et al., 2021). Liquidity here is closely related to profitability, because liquidity proves the level of availability of working capital needed to carry out company operations (Hidayat & Dewi, 2022). This proves that there is an influence between liquidity and profitability, as previous researchers have explained that liquidity has an impact on profitability. Afrianti & Purwaningsih (2022) explain that the higher the company's ability to pay short-term obligations, the greater the company's chance to earn profits. Based on the explanation above, the hypothesis can be proposed:

H1: Liquidity has a positive effect on profitability.

Relationship between Leverage and Profitability

In the business world, leverage refers to the use of funding sources to enlarge assets and increase company profits (Amar et al., 2022). However, leverage that is too high can reduce investor interest in the company, so the company cannot distribute large profits to investors (Margono and Gantino, 2021). This shows that leverage has a negative effect on profitability. According to Sani & Dinuka (2023) leverage has a negative and significant effect on the profitability variable. In line with Shabaneh et al. (2021) which explains that leverage has a statistically significant negative effect on profitability. Syahzuni & Jimmy (2022) explain that the significant use of leverage also contributes to the company's dependence on external funding sources, such as debt which reduces profitability due to increased interest expense. The higher the leverage, the lower the profitability, because it reduces the company's profits and reduces the company's assets to meet the company's obligations. Based on the explanation above, the hypothesis can be proposed:

H2: Leverage has a negative effect on profitability.

Relationship between Solvency and Profitability

Solvency describes a company's ability to pay off all of its obligations, both short and long term, with the guarantee of its assets or wealth until the company closes or is liquidated (Siae et al., 2023). This ratio has an important role in determining each capital that is used as a guarantee of financial obligations, or the extent to which the company's financial obligations affect asset management (Dauda et al., 2021). In this case, it can be said that solvency has a positive effect on profitability. According to Hamid (2023), solvency has a significant effect on profitability. In line with Yenni et al. (2021) solvency affects profitability. According to Hariatih & Aziz (2022) this solvency reflects the company's ability to fulfill its long-term responsibilities. The company's solvency with profitability has an inseparable link. An increase in the debt ratio will affect the profitability obtained by the company, because some of it is shown to pay loan interest. Based on the explanation above, the hypothesis can be proposed:

H3: Solvency has a positive effect on profitability.

Relationship between Sales Growth and Profitability

Sales growth is an indicator of investment success and company competitiveness in certain companies (Iskandar, 2021). The growth of a company can be demonstrated by a significant increase in market share, this gives the company the opportunity to increase sales and maximize profits for the entity (Hermanto & Dewinta, 2023). In this case, it can be said that company growth has a positive effect on profitability. According to Afrianti & Purwaningsih (2022) Asset growth affects profitability. In line with Nur & Mahiri (2022) There is an effect of sales growth on profitability. According to Iwanti & Surjandari (2022) An increase in sales growth indicates that the company is increasingly relying on internal capital for its financing. Significant sales growth will experience an increase in profits earned from the company's operational products. By understanding sales growth, the company can calculate the amount of profit that will be obtained. Based on the explanation above, the hypothesis can be proposed:

H4: Sales growth has a positive effect on profitability.

Research Model

To explain the relationship between independent variables and dependent variables can be seen in the research model below:

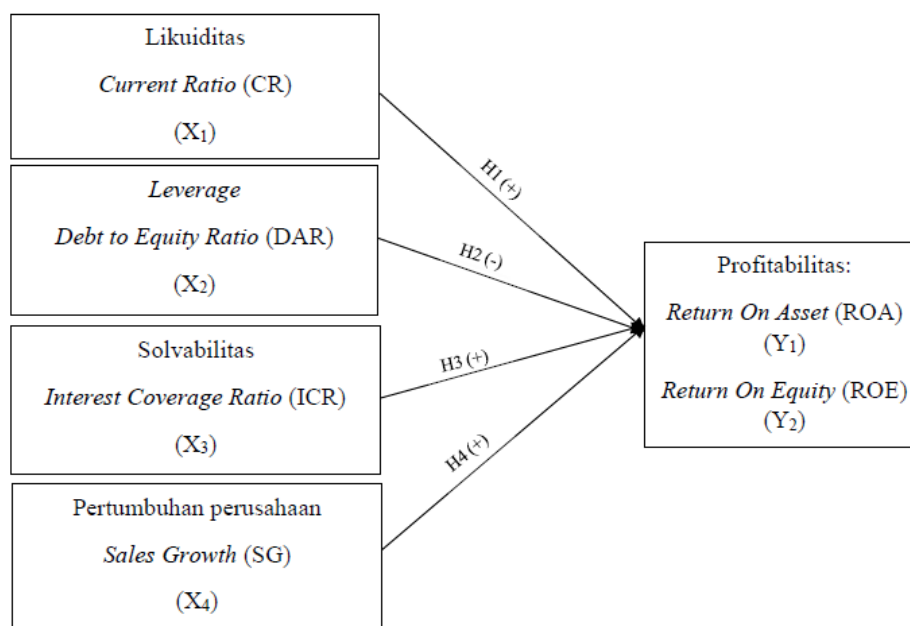


Figure 1: Conceptual Model

RESEARCH METHODS

In this study using causality research to prove the possibility of a causal relationship between variables (Afrianti & Purwaningsih, 2022). This study uses secondary data obtained indirectly through other parties or through intermediaries (Siae et al., 2023), while the independent variables consist of Liquidity measured by Current Ratio (CR) carried out through a comparison between total current assets and total current liabilities (Heryati & Kurniawan, 2023). Leverage measured by Debt to Asset Ratio (DAR) is carried out through a comparison between total liabilities and total assets (Shabaneh et al., 2021). Solvency measured by Interest Coverage Ratio (ICR) is carried out through a comparison between earnings before interest tax and interest expense (Shabaneh et al., 2021). And there are dependent variables, namely profitability which is calculated using two calculations Return On Assets (ROA) carried out through a comparison between net profit after tax with total assets (Budiono et al., 2022) and Return On Equity (ROE) carried out through analogy between net profit after tax with total equity (Heriatih & Aziz, 2022).

This study shows the population of food and beverage manufacturing companies listed on the IDX during the specified years and have published financial reports. Thus, the sample for this study includes 26 companies, resulting in a total of 104 data. Furthermore, the data shown in the study is secondary data. The data shown is in the form

of company financial statements obtained through the annual report <https://www.idx.co.id/en>. Due to the limitations of this study, not all populations can be sampled so they rely on non-probability sampling that uses purposive sampling method. The following are the criteria for sampling, namely companies with food and beverage businesses listed on the Indonesia Stock Exchange (IDX) for the 2019-2022 period, food and beverage companies that make profits in the 2019-2022 period, and food and beverage companies that published financial reports consecutively in the 2019-2022 period. The information obtained from 9 companies over a four-year period collected after the data selection process, resulted in 36 data as the sample size.

The procedure used is multiple linear regression analysis, the analysis test using SPSS. This study uses descriptive statistical analysis, classical assumption tests such as normality test, multicollinearity test, autocorrelation test and heteroscedasticity test. Next, test the hypothesis about how the independent variables affect the dependent variable. The hypothesis is tested by the F test (Simultaneous), T test (Partial) and the coefficient of determination test (R²), then using multiple linear regression tests with multiple linear regression equation models, namely (Durlista & Wahyudi, 2023):

$$ROA = \alpha + \beta_1.CR - \beta_2.DER + \beta_3.ICR + \beta_4.SALES + \varepsilon$$

$$ROE = \alpha + \beta_1.CR - \beta_2.DER + \beta_3.ICR + \beta_4.SALES + \varepsilon$$

Description:

ROA = Return On Assets

ROE = Return On Equity

α = Constant

β = Regression coefficient

CR = Current Ratio (Liquidity)

DER = Debt to Equity Ratio (Leverage)

ICR = Interest Coverage Ratio (Solvency)

SALES = Sales Growth (Company growth)

ε = error

RESULTS

Table 1 - Descriptive Statistics Test

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
CR	36	1.169	7.498	2.61617	1.568660
DAR	36	0.150	0.580	0.40722	0.129980
ICR	36	0.003	2.389	0.30794	0.493592
SG	36	-0.339	0.557	0.10139	0.157710
ROA	36	0.010	0.220	0.07464	0.043970
ROE	36	0.024	0.230	0.11953	0.052163
Valid N (listwise)	36				

Based on the results of descriptive statistics, it is known that profitability (ROA) has a minimum value of 0.010, a maximum of 0.220 and a mean of 0.07464 with a standard deviation of 0.043970 and profitability (ROE) has a minimum of 0.024, a maximum of 0.230 and a mean of 0.11953 with a standard deviation of 0.052163. Liquidity (CR) has a minimum value of 1.169, a maximum of 7.498 and a mean of 2.61617 with a standard deviation of 1.568660. Leverage (DER) has a minimum of 0.150, a maximum of 0.580 and a mean of 0.40722 with a standard deviation of 0.129980. Solvency (ICR) has a minimum of 0.003, a maximum of 2.389 and a mean of 0.30794 with a standard deviation of 0.493592. Sales Growth (SG) has a minimum value of 0.339, a maximum of 0.557 and a mean of 0.10139 with a standard deviation of 0.157710.

The normality test in this study uses the One-Sample Kolmogorov, the decision is made by looking at the Asymp value. Sig (2-tailed), Asymp. Sig on ROA and ROE is 0.200 which is greater than 0.05, it can be said that the data is normally distributed.

The multicollinearity test for each variable shows the tolerance value of each variable is above 0.10 and each VIF value of each variable is below 10. So it can be concluded that the multicollinearity test on ROA and ROE does not occur multicollinearity.

The heteroscedasticity test shows that the points are scattered above and below the 0 value on the Y axis, so it can be said that there is no heteroscedasticity.

The Autocorrelation Test uses the Run Test Decision Making can be done by looking at the Asymp number. Sig (2-tailed), Asymp. Sig (2-tailed) on ROA and ROE is 0.237 which means it is greater than the significance value of 0.05. So it can be concluded that there is no autocorrelation.

Based on the results of multiple regression analysis testing, the regression equation is obtained, namely:

$$ROA = 0.056 + 0.017.CR - 0.064.DAR - 0.015.ICR + 0.041.SALES + \varepsilon$$

$$ROE = 0.099 + 0.011.CR - 0.008.DAR - 0.027.ICR + 0.039.SALES + \varepsilon$$

It can be seen that the regression equation if the independent variables, namely Liquidity, Leverage, Solvency and Sales Growth, are assumed to be constant, there is a decrease in the profitability variable (ROA), which is 0.056 and profitability (ROE), which is 0.099. The beta value of liquidity on ROA is 0.017, if there is an increase of 1% in X1, there

will be an increase of 0.017 on profitability (ROA) and the beta value of liquidity on ROE is 0.011, if there is an increase of 1% in X1, there will be an increase of 0.011 on profitability (ROE). The ROA Leverage beta value is -0.064 if there is an increase of 1% in X2 there will be an increase of 0.064 on profitability (ROA) and the Leverage beta value on ROE is -0.008 if there is an increase of 1% in X2 there will be an increase of 0.008 on profitability (ROE). The beta value of Solvency on ROA is -0.015 if there is an increase of 1% in X3 there will be an increase of 0.015 and the beta value of solvency on ROE is -0.027 if there is an increase of 1% in X3 there will be an increase of 0.027 on profitability (ROE). The beta value of Sales Growth on ROA is 0.041 if there is an increase of 1% in X4 there will be an increase of 0.041 on profitability (ROA) and the beta value of sales growth on ROE is 0.039 if there is an increase of 1% in X4 there will be an increase of 0.039 on profitability (ROE).

Based on the F test of ROA, it is found that the calculated F value is greater than the F table value ($7 > 2.68$) with a significance result of 0.002. Because F count is greater than F table and the probability is lower than 0.05, Liquidity (CR), Leverage (DAR), Solvency (ICR) and Sales Growth (SG) have a simultaneous effect on profitability (ROA). Based on the ROE F test, the Fcount is smaller than the F table value ($0.67 < 2.68$) with a significance result of 0.629. Because F count is smaller than F table and the probability is greater than 0.05, Liquidity (CR), Leverage (DAR), Solvency (ICR) and Sales Growth (SG) have no simultaneous effect on profitability (ROE).

Table 2 - ROA Partial T Test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.056	0.053		1.055	0.300
	CR	0.017	0.007	0.615	2.602	0.014
	DAR	-0.064	0.088	-0.188	-0.722	0.476
	ICR	-0.015	0.017	-0.168	-0.880	0.386
	SG	0.041	0.044	0.148	0.949	0.350

Keterangan	Beta	T	Sig.	Hasil
CR, DAR, ICR, SG → ROA				
CR (H ₁)	0,017	2,602	0,014	Diterima
DAR (H ₂)	-0,064	-0,722	0,476	Ditolak
ICR (H ₃)	-0,015	-0,880	0,386	Ditolak
SG (H ₄)	0,041	0,949	0,350	Ditolak

The results of the partial statistical test indicate that liquidity (CR) has a sig value. $0.014 < 0.05$ which means liquidity (CR) has a positive effect on profitability (ROA). For leverage (DAR) has a sig value. $0.476 > 0.05$ which means leverage (DAR) has no effect on profitability (ROA). For solvency (ICR) has a sig value. $0.386 > 0.05$ which means solvency (ICR) has no effect on Profitability (ROA). Sales Growth (SG) has

a sig value. $0.350 > 0.05$ which means Sales Growth (SG) has no effect on profitability (ROE).

The results of the partial statistical test indicate that liquidity (CR) has a sig value. $0.290 < 0.05$ which means liquidity (CR) has no effect on profitability (ROE). For leverage (DAR) has a sig value. $0.953 > 0.05$ which means leverage (DAR) has no effect on profitability (ROE). For solvency (ICR) has a sig value. $0.296 > 0.05$ which means solvency (ICR) has no effect on Profitability (ROE). Sales Growth (SG) has a sig value. $0.545 > 0.05$ which means Sales Growth (SG) has no effect on profitability (ROE).

According to the coefficient of determination test (R^2), which is 0.637 on ROA, it indicates that there is a correlation or relationship between Liquidity (CR), Leverage (DAR), Solvency (ICR) and Sales Growth (SG). It can be concluded that there is a strong relationship because it has a correlation > 0.50 . Then, the Adjusted R Square value produces a value of 0.330, which means that the variation of the Profitability (ROA) variable can be explained from the Liquidity (CR), Leverage (DAR), Solvency (ICR) and Sales Growth (SG) variables of 0.330 or 33% so that 67% is explained by various other factors not included in this study.

DISCUSSION

Effect of Liquidity on Profitability

Observing the results of the partial test (T test) proves that the liquidity variable partially affects profitability (ROA) with a significance value of $0.014 < 0.05$ so that H1 is accepted, partially it can be concluded that liquidity can have a positive effect on profitability (ROA) in manufacturing companies food and beverage sub-sector listed on the IDX in 2019-2022. Because according to Afrianti & Purwaningsih (2022) the higher the company's ability to pay short-term obligations, the greater the company's chance to earn profits.

However, for the calculation of liquidity on profitability (ROE) with a significance value of $0.290 > 0.05$ so that H1 is rejected. This happens because according to Kristin et al (2022) companies that are too liquid do not necessarily reflect very profitable conditions, because this indicates that some of their assets have not been utilized or have not been managed optimally, which in turn reduces the company's profit level. This is in accordance with Ugwuanyi & Edeh (2023) which explains that liquidity has a positive effect on profitability. According to Hamid (2023) liquidity has no positive effect on profitability.

Effect of Leverage on Profitability

Observing the results of the partial test (T test) proves that leverage partially has no effect on Profitability (ROA & ROE), the significance value of leverage and profitability (ROA) is $0.476 > 0.05$ so that H2 is rejected, as well as leverage on profitability (ROE) which has a significance value of $0.953 > 0.05$ so that H2 is rejected. According to Rismala et al (2023) this is because the use of large amounts of debt by the company, the interest that must be paid will also be greater. This is in line with Rismala et al (2023) which explains that leverage does not have a negative effect on profitability.

Effect of Solvency on Profitability

The results of the partial test (T test) prove that solvency partially has no effect on profitability (ROA & ROE), the significance value of solvency and profitability (ROA) is $0.386 > 0.05$ so that H3 is rejected, solvency and profitability (ROE) has a significance value of $0.296 > 0.05$ so that H3 is rejected. According to Aziz & Heriath (2022) in this case it indicates that solvency has increased, so that the company's burden on external parties will also increase. The possibility of a decline in performance is caused by the company's high dependence on external parties. This is in line with Shabaneh et al (2021) which explains that solvency does not have a negative effect on profitability.

Effect of Sales Growth on Profitability

From the partial test (T test), it is found that sales growth partially has no effect on profitability (ROA & ROE), the significance value of sales growth on profitability (ROA) is $0.350 > 0.05$ so that H4 is rejected, sales growth and profitability (ROE) has a significance value of $0.545 > 0.05$ so that H4 is rejected. According to Mahiri & Nur (2022) this is because sales growth is low and profitability ratios are high. Companies that are in the growth stage will require relatively large funding, because larger companies tend to retain most of their income. Sales growth describes an investment indicator for future growth. The growth rate is indicated by an increase in assets and an increase in sales, proving that growth is in the process of expansion. However, failure to expand will increase company expenses. This is in accordance with Mahiri & Nur's research (2022) which explains that sales growth does not have a positive effect on profitability.

CONCLUSION

From the discussion of the results, it can be partially concluded that liquidity has a positive effect on profitability (ROA) and liquidity has no positive effect on profitability (ROE). Leverage has no negative effect on profitability (ROA & ROE). Solvency has no negative effect on Profitability (ROA & ROE). Sales growth has no positive effect on profitability (ROA & ROE).

In this study, the limitation is only examining data on food and beverage sub-sector companies. So the researchers hope to recommend not only food and beverage sub-sector companies, but in the next research they can use other sectors and sub-sectors, for example banking companies that have good fund management. In addition, suggestions for further researchers to add other variables that have an impact on profitability such as company size, working capital turnover and capital structure. In addition, it is suggested that it is not limited to the proxies that have been carried out by previous researchers and to expand observations.

For companies that want to optimize profitability, it is important to consider the total debt that has been set by the company, so that it can be repaid with liquid assets according to maturity. In addition, companies also need to monitor total sales to ensure increased profitability. Furthermore, it is recommended for companies to evaluate the level of inventory they have, so as not to incur maintenance costs in the future.

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