1st International Conference on Management, Business and Economy (ICoMBEc 2025)
Vo. 1 No. 1 2025
e-ISSN : XXXX-XXX

# Impact of Likuiditas and Solvability on Profitability at PT Malindo Feedmill Tbk for the Years 2015–2024

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## Abstract

The purpose of this study is to examine the effects of liquidity and solvency on the profitability of PT Malindo Feedmill Tbk in the period of 2015–2024. This research was conducted with a quantitative descriptive approach on the basis of secondary data from the annual financial statements of the company available on the Indonesia stock exchange. Quantitatively, this research measures liquidity using Current Ratio, Quick Ratio and Cash Ratio, and solvency using Debt to Equity Ratio and Debt to Asset Ratio. Subsequently, gross profit margin, net profit margin, return on assets, return on equity, and operating profit margin represent profitability as the dependent variable. The data was processed by Microsoft Excel with descriptive and linear regression analysis to ascertain the relationship and influence among the research variables. The results of the study showed that liquidity of PT Malindo Feedmill Tbk during the study period fluctuated, meaning that company is generally able to meet short-term obligations in addition to having some inconsistencies. It is indicated that solvency ratios have a high dependence on debt financing, although the condition occurs at the standard level. Profitability ratio also fluctuates during the study period, implying different efficiency of operation and cost management at some years to another. In conclusion, these findings show that liquidity and solvency have a significant effect on profitability. Hence, sustaining a balance of liquidity and effective leverage is necessary to promote financial performance and ensure future profitability.

**Keywords:** PT Malindo Feedmill Tbk, Liquidity, Solvency, Profitability, Financial Performance.

## Introduction

Financial performance analysis is an essential tool for evaluating a company's resource management ability and long-term growth potential. It provides an extensive overview of the business's asset utilization, cost control, and profit generation capacity. For manufacturing companies like PT Malindo Feedmill Tbk, financial performance evaluation is critical because of the high-level competition in the industry. Thus, it needs to maintain operational efficiency and financial planning to survive. The livestock feed industry in Indonesia has been on the rise for a decade because of the increasing demand for poultry and livestock products. However, the sector's numerous external threats, such as unpredictable raw material price fluctuations, exchange rate volatility, and global supply chain disruptions, often threaten the business's liquidity, solvency, and profitability. Therefore, financial ratios are critical for assessing a company's financial stability. According to Kasmir : liquidity ratio assesses the company's current assets' ability to meet short-term burdens; the solvency ratio measures the business's reliance on external borrowing to fund long-term burdens and the business's ability to repay the said burden; the profitability ratio measures the company's efficiency in profit- making based on asset, equity, and sales. Thus, financial ratios are the basic options for financial planning and situational problem-solving for the board.

As one of the largest feed manufacturing companies in Indonesia, PT Malindo Feedmill Tbk should strive to keep a balance between liquidity, solvency, and profitability to secure stable financial performance. Corn and soybean meal are the critical raw materials for the company. Since they need to be imported in the majority of cases, their cost is closely linked to world prices and regularly fluctuates. Consequently, the history of the financial well-being of the firm for several years can demonstrate the extent to which it has been able to absorb internal and external shocks. It is especially important in the context of the global uncertainty and recession, which affects feed prices and consumer behavior. Moreover, the comprehensive analysis of financial ratios for ten years (2015-2024) can provide multiple insights into the company's trends, weaknesses, and strengths. Thus, it can be used by investors to understand whether the firm is worth investing in. Similarly, management should use these data to understand the areas that require further focus in the process of improving future growth and performances. It is also crucial for the academic understanding of financial management at the manufacturing enterprise level in the developing state, where many factors are uncontrollable and dependent on policy changes and global market fluctuation. Furthermore, integrated analysis of liquidity, solvency, and profitability provides a comprehensive image of corporate stability. On the one hand, high liquidity ensures smooth operations, while excessive liquidity decreases profitability due to idle assets. On the other hand, increasing leverage may accelerate growth while simultaneously increasing financial risk and interest burden. Thus, the company like PT Malindo Feedmill Tbk should operate according to balanced and data-driven financial strategies to remain competitive, trustworthy for investors, and create value for shareholders in the long term.

Therefore, in these reasons, this research aims to investigate the financial performance of PT Malindo Feedmill Tbk from 2015 to 2024. The analysis method to be used is the financial ratios which are the liquidity ratios Current Ratio, Quick Ratio, Cash Ratio,, solvency ratios Debt to Equity Ratio, Debt to Asset Ratio, and profitability ratios

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e-ISSN : XXXX-XXX

Gross Profit Margin, Net Profit Margin, Return on Assets, Return on Equity and Operating Profit Margin. The expected results of the research can give a complete view of the financial condition of the company and its impact and implications for managers, shareholders, and the company's sustainability in the industry of feeds manufacturing in Indonesia; thus, it contributes in practice and theory for future researches on financial performance.

## Theoretical Framework

This study aims to describe the correlation between liquidity, solvency, and profitability. The object of MP is PT Malindo Feedmill Tbk in the period 2015 – 2024. In financial language, liquidity and solvency are important factors to determine the financial condition of a company. Additionally, those two determine the profit that is desirable for a company. This is a concept that explains the ability of the company t to pay its short-term debts with the available current assets. A high level of liquidity indicates that the company has enough cash to conduct its business without any interruption. In the event of low liquidity, the company is at risk of not being able to sell its assets on time to repay its debts in time, a factor that may disrupt its profitability. Similarly, too much liquidity can be seen as allowing the company to have funds that are not being invested, hence the reduction in potential fortunes. Therefore, effective liquidity management is critical in ensuring that the firm strikes a balance between its financial security and fortune-making.

Solvency indicates the degree to which it is necessary for a company to use outside sources of funding or, in other terms, debt to finance its assets and business activities. A high solvency ratio reveals a heavy debt burden, leading to a heightened level of financial risk due to high interest payments. The latter situation might depress net profit, which highlights the factor behind the decline in profitability. On the other hand, a low level of solvency demonstrates that the company relies more on its equity, promoting financial steadiness. Nevertheless, if it is arranged properly, it could help a company to develop its activities and hence increase profit.

Regarding the concept, liquidity and solvency are two parameters that theoretically should affect the level of a company's profitability. As indicated earlier, the level of a company's liquidity enables it to ensure some smooth operations while the level of its solvency enables the company to minimize its financial risk. As a result, this balance should help the firm to reach the most optimal level of profitability. It should help the firm maintain such level regardless of its profitability. Therefore, this paper perceives that changes in a company's liquidity and solvency will have an impact on the profitability performance of PT Malindo Feedmill Tbk.

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## Research Methodology

This research adopts a descriptive quantitative approach to study the effect of liquidity and solvency on profitability of PT Malindo Feedmill Tbk for the period of 2015-2024. The study solely relies on secondary sources of data from the company's annual financial reports which are accessible through the official website of the Indonesia Stock Exchange. The reason for selecting this method is that it provides an opportunity for the researcher to objectively measure financial performance through numerical relationships and statistical linkage of variables. The independent factors of this research include liquidity and solvency. Liquidity is measured by Current Ratio), Quick Ratio and Cash Ratio, while solvency is represented by the Debt to Equity Ratio and Debt to Asset Ratio). Meanwhile, profitability as a dependent factor is measured using five key financial ratios including: Gross Profit Margin, Net Profit Margin, Return on Assets, Return on Equity, and Operating Profit Margin (OPM). These indicators help establish how well the company is managing its financial resources to generate profits. The data is analyzed using a descriptive method and simple linear regression. The descriptive analysis is used to observe the trend and pattern of each ratio over the ten- year period. Linear regression which is done through Microsoft Excel provides a guide on the strength and direction of the effect of redemption strategies on profitability. It helps in quantifying the relationship between the dependent and independent variables hence providing statistical information on the company's financial behavior. Generally, this method will help conduct a structured, systematic, and quantitative assessment of the trends of PT Malindo Feedmill Tbk's financial statements in the decade of study. The research will generate knowledge of whether changes in liquidity and solvency levels impact significantly on profitability and hence provide insights into strategies for financial optimization for long-term growth..

## Results and Discussion

### Results of Liquidity Ratio Calculations

**Table 1. Results of Liquidity Ratio Calculations**

| LIQUIDITY (%) | | | |
|---|---|---|---|
| Year | Current Ratio (CR) | Quick Ratio (QR) | Cash Ratio (CaR) |
| 2015 | 133.35% | 97.11% | 34.49% |
| 2016 | 115.33% | 75.96% | 10.57% |
| 2017 | 86.61% | 53.33% | 9.41% |
| 2018 | 169.67% | 100.02% | 12.51% |
| 2019 | 118.12% | 66.86% | 7.06% |
| 2020 | 119.86% | 66.51% | 10.69% |
| 2021 | 125.60% | 68.03% | 8.47% |
| 2022 | 116.92% | 78.92% | 18.91% |
| 2023 | 118.39% | 73.52% | 12.07% |
| 2024 | 165.09% | 101.82% | 19.08% |
| **AVERAGE** | **130.03%** | **76.07%** | **11.53%** |

From the above calculation of liquidity ratio for PT. Malindo Feedmill Tbk in the 2015-2024 periods, it was found that the Current Ratio fluctuates every year, with the highest CR at 2018, which was 169.67%, and the lowest CR Reaches 86.61% at 2017, with an average QR of 130.03%. This means that PT. Malindo Feedmill Tbk is generally able to fulfill all short-term obligations from current assets, but some ratios have indicated a decline.

The same pattern of change is shown by the Quick Ratio. The highest result was reached in 2018 – 100.02%, the lowest – in 2022 – 65.03%, the average – 76.07%. This movement also demonstrates the relationship with fluctuations inventory turnover and accounts receivable.

Simultaneously, the Cash Ratio presented an average of 11.53%, with the highest one in 2024, at 19.05%, and the lowest in 2020, at 7.06%. The very low value of the Cash Ratio reported implies that the significant part of the current assets is not in terms of cash, rather, in inventory or receivables. In conclusion, the liquidity ratio of PT Malindo Feedmill Tbk can be framed as quite good. The reason is that despite the slight trend toward the fluctuation observed during the research period, VLC is able to, overall, maintain the balance between the current assets available and the short-term liabilities outstanding.

**Results of Solvency Ratio Calculations**

**Table 2. Results of Solvency Ratio Calculations**

| SOLVENCY (%) | | |
|---|---|---|
| Year | Debt to Equity Ratio (DER) | Debt to Asset Ratio (DAR) |
| 2015 | 296.23% | 60.91% |
| 2016 | 255.56% | 55.25% |
| 2017 | 289.25% | 59.15% |
| 2018 | 285.97% | 54.07% |
| 2019 | 308.05% | 54.58% |
| 2020 | 306.19% | 54.10% |
| 2021 | 368.67% | 56.07% |
| 2022 | 405.36% | 58.33% |
| 2023 | 365.31% | 54.76% |
| 2024 | 260.39% | 40.13% |
| **AVERAGE** | **334.85%** | **55.43%** |

Based on the solvency ratio calculations, including the Debt to Equity Ratio and Debt to Asset Ratio, it is possible to conclude that PT Malindo Feedmill Tbk tends to have a high reliance on external financing. Specifically, the highest derived DER is the 2023 value of 365.31%, and the

Vo. 1 No. 1 2025
e-ISSN : XXXX-XXX

lowest is the 2016 value of 255.56%, with an average of 304.69% throughout the 8-year period. Therefore, the abovementioned findings indicate that the company uses debt more actively than equity to fund operational and investment activities.

The DAR also changed but on a relatively low level on average – there was an equal value of 55.33%. The highest one was in 2023 – reaching the value of 58.33%. The lowest value was in the beginning in 2016 – 55.25%. So, more than half of the company's assets are financed via debt. However, the company is still in acceptable solvency – its total assets can cover its liabilities. However, as the debt is growing – over years, more and more assets are financed thanks to it. Therefore, the company needs to manage its capital structure properly as the interest burden can put pressure on the future profitability.

**Results of Profitability Ratio Calculations**

**Table 3. Results of Profitability Ratio Calculations**

Based on the profitability ratios calculation of PT Malindo Feedmill Tbk from 2015 to 2024, one observed that the company's ability to generate profit from its revenue varies widely from one year to another. The average GPM was 9.57%, with the highest value in 2016 of 17.61% and the lowest level in 2022 of 6.25%. That shows that the company's ability to in controlling the cost of goods sold (COGS) from its revenue changes general from one year to another, but generally at a satisfactory level for the industry of animal feed.

The NPM averaged at 1.32% with the highest in 2016 of 5.53 % and the lowest of -0.56% in 2020. The NPM volatility NPM indicates that the company's net profit is relatively small compared to total sales. This indicates that the company has a significant operational and financial burden regardless of the year.

The ROA average is 2.11%, and the highest and lowest ROA values are 9.07% and 0.46%, respectively. Despite declining some years, the last year's ROA shows A fairly decent increase in asset efficiency in generating profits. The average ROE is 16.78%, and highest and lowest value occurs on 2016 and 2023, which is 21.22 % and 14.99%.

The OPM average is 4.16% with a high of 5.83% and low of 1.72%. This shows that the amount of operational profit of the company is relatively low compared to its revenue; therefore, greater improvement in operational efficiency.

In summary, the profitability of pt malindo feedmill Tbk during the study period fluctuating showed conditions but still indicated that the company able to maintain financial performance despite the changing situation in the national animal feed industry.

**Conclusion**

Considering the analyzed PT Malindo Feedmill Tbk's financial data for the years 2015 – 2024, the company's financial performance reflects significant fluctuations in liquidity, solvency, and profitability.

Liquidity analysis presented by Current Ratio, Quick Ratio and Cash Ratio indicators demonstrates that the company has an acceptable ability to ensure its short- term obligations. However, some years reflect considerable variations, blaming the current efficiency in managing cash structures. Debt to Equity Ratio and Debt to Asset Ratio instruments inform about relatively high debt dependence, suggesting that the company still prefers leverage as a financing tool. However, dependence is managed from the standpoint of financial risk. Profitability indicators by GPM, NPM, ROA, ROE, and OPM show fluctuations, and the companies performance declines in several years. This implies that the production cost structure, production efficiency, operational performance, and asset cementation should be significantly improved to achieve more sustainable profits in the future. Summing up, PT Malindo Feedmill Tbk shows sufficient

resistance in a changeable business environment. Liquidity is on a good level, while capital structuring needs some adjustment to mitigate solvency risk, and profitability can be enhanced by a better operational efficiency and effective financing policy.

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