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Analysis Of Financial Performance In Tobacco Industry Companies Listed On The Indonesia Stock Exchange: The Roles Of Profitability, Liquidity, And Solvency

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Abstract

This study analyzes the effect of profitability, liquidity, and solvency on the financial performance of tobacco industry companies listed on the Indonesia Stock Exchange (IDX). A quantitative design was applied to secondary data taken from the annual financial statements of four companies over 2017–2024, which produced 32 firm-year observations (31 of which were usable in the regression). Profitability was measured by return on assets (ROA), liquidity by the current ratio (CR), solvency by the debt to equity ratio (DER), and financial performance by total asset turnover (TATO). The data were analyzed in SPSS version 27 using descriptive statistics, classical assumption tests, multiple linear regression, t-tests, an F-test, and the coefficient of determination at a 5% significance level. Profitability has a positive and significant partial effect on financial performance (B = 4.048; p = 0.001), whereas liquidity (B = 0.103; p = 0.093) and solvency (B = 0.014; p = 0.921) have positive but statistically insignificant effects. Simultaneously, the three variables significantly affect financial performance (F = 7.856; p = 0.001) and jointly explain 46.6% of its variation (adjusted R^2 = 40.7%). The findings indicate that the ability to generate profit from assets is the dominant factor associated with financial performance in this industry.

Keywords: profitability; liquidity; solvency; financial performance; tobacco industry; Indonesia Stock Exchange

INTRODUCTION

Every company pursues targets that depend on sound financial performance, and the extent to which those targets are met is revealed through financial statements such as the balance sheet and the income statement. Financial performance can be understood as the result of management's effort to manage and control the company's

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financial resources and assets (Fahmi, 2020; Irfani, 2020; Rudianto, 2021). Analyzing the statements of the current and previous periods therefore gives a basis for evaluating whether a company is healthy and for planning the next period (Kasmir, 2021).

Financial analysis is commonly carried out with financial ratios, which divide one statement item by another relevant item so that each ratio gives a specific picture of the company's condition. The ratios most often used are profitability, liquidity, solvency, and activity ratios, each of which assesses a different aspect of financial performance (Febriana et al., 2021; Permana et al., 2024).

The tobacco industry holds a strategic position in the Indonesian business landscape. Demand is relatively stable, business turnover is fast, and the sector remains attractive to investors even though it operates under heavy regulation. At the same time, the growing number of players has intensified competition, so tobacco companies must continually evaluate and improve their financial performance. Four companies listed on the Indonesia Stock Exchange (IDX) consistently report their financial statements and therefore allow a comparative analysis: Gudang Garam Tbk (GGRM), HM Sampoerna Tbk (HMSP), Indonesian Tobacco Tbk (ITIC), and Wismilak Inti Makmur Tbk (WIIM).

Their published financial statements show that performance has been uneven. Sales and profit did not always move together: some companies recorded growing sales without a matching rise in profit, while others saw profit fall sharply after a year of improvement. Such patterns suggest differences in cost efficiency, margin pressure, and the way assets and debt are managed.

Earlier studies of tobacco companies on the IDX have mostly relied on ratio analysis. Dien et al. (2025) found that the net profit margin and return on investment of Gudang Garam were below the industry average, while HM Sampoerna and Wismilak performed above it. Zafar et al. (2025) reported that listed tobacco companies generally face challenges in liquidity, solvency, and profitability, although some of them show good debt management and improving performance. Studies in other sectors that test the effect of the three ratio groups on financial performance have produced mixed results (Anggreini et al., 2025; Fitriyaningsih, 2025; Mawadah et al., 2026; Rahmawati & Rajagukguk, 2026; Yasyfa et al., 2025). Evidence that tests statistically how profitability, liquidity, and solvency jointly relate to financial performance in the tobacco industry is still limited.

This study therefore examines (1) the partial effect of profitability on financial performance, (2) the partial effect of liquidity on financial performance, (3) the partial effect of solvency on financial performance, and (4) the simultaneous effect of the three variables on the financial performance of tobacco companies listed on the IDX. The results are expected to add to the accounting literature and to inform management and investors in evaluating tobacco companies.

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METHODS

This study uses a quantitative design, which rests on positivist philosophy and tests predetermined hypotheses with numerical data and statistical analysis (Sugiyono, 2022). The population consists of the annual financial statements of tobacco companies listed on the IDX during 2017–2024. The sample was selected by purposive sampling with two criteria: (1) the company is a tobacco company listed on the IDX throughout 2017–2024, and (2) the company published complete, audited annual financial statements for consecutive years in that period. Four companies met the criteria (GGRM, HMSP, ITIC, and WIIM). With eight years of observation each, the sample amounts to 4 × 8 = 32 firm-year observations. One profitability observation was unavailable, so the regression models use 31 observations.

The data are secondary and were collected through observation and documentation studies, using the annual financial statements published on the official IDX website (www.idx.co.id) together with relevant books and documents.

The dependent variable is financial performance (Y), measured by total asset turnover (TATO = Sales / Total Assets) (Febriana et al., 2021). The independent variables are profitability (X_1), measured by ROA; liquidity (X_2), measured by CR; and solvency (X_3), measured by DER (Permana et al., 2024).

Data were processed with IBM SPSS Statistics version 27. The analysis comprised descriptive statistics; classical assumption tests (normality with the one-sample Kolmogorov–Smirnov test, multicollinearity with tolerance and the variance inflation factor (VIF), heteroskedasticity with a scatterplot of standardized predicted values against studentized residuals, and autocorrelation with the Durbin–Watson statistic) (Ghozali, 2021); multiple linear regression; the t-test for partial effects; the F-test for the simultaneous effect; and the coefficient of determination (R^2). The regression model is:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

where Y is financial performance (TATO), X_1 is profitability (ROA), X_2 is liquidity (CR), X_3 is solvency (DER), α is the constant, β_1–β_3 are regression coefficients, and ε is the error term. Hypotheses were tested at a 5% significance level (two-tailed): a null hypothesis is rejected when the significance value is below 0.05 (equivalently, when the absolute t value exceeds the critical value of 2.052 for 27 degrees of freedom).

RESULTS AND DISCUSSION

Table 1 summarizes the variables. Profitability has a mean of 0.10668 (about 10.7%) with a standard deviation of 0.078431, which indicates a fairly controlled spread across observations. Liquidity averages 2.13221 and ranges from 0.058 to 8.185, and its large standard deviation (1.614363) points to considerable differences in short-term

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liquidity among the companies. Solvency averages 0.78375, but its standard deviation (1.467975) exceeds the mean, which reflects markedly different capital structures. Financial performance (TATO) averages 1.33093, with a minimum of 0.372 and a maximum of 2.297, and its dispersion (0.602887) is smaller than that of liquidity and solvency.

Table 1. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Profitability (ROA)	31	0.012	0.294	0.10668	0.078431
Liquidity (CR)	32	0.058	8.185	2.13221	1.614363
Solvency (DER)	32	0.249	8.758	0.78375	1.467975
Financial performance (TATO)	32	0.372	2.297	1.33093	0.602887
Valid N (listwise)	31				

Source: SPSS output, processed data (2026).

Table 2 reports the assumption tests. The Kolmogorov–Smirnov test on the unstandardized residuals gives an asymptotic significance of 0.200, above 0.05, so the residuals are normally distributed; the histogram and normal probability plot support this result. Tolerance values (0.747–0.896) exceed 0.10 and VIF values (1.116–1.338) are below 10, so there is no multicollinearity. The scatterplot of residuals shows no systematic pattern, so heteroskedasticity is not a concern. The Durbin–Watson statistic is 2.468. With an upper bound (dU) of 1.6503 for 31 observations and three predictors, 4 − dU equals 2.350, which places the statistic in the inconclusive zone rather than in the no-autocorrelation zone. The presence of mild negative autocorrelation therefore cannot be ruled out, and the regression results should be read with this in mind.

Table 2. Summary of Classical Assumption Tests

Test	Statistic	Criterion	Result
Normality (Kolmogorov–Smirnov)	Sig. = 0.200	Sig. > 0.05	Normal
Multicollinearity: Profitability	Tol. = 0.896; VIF = 1.116	Tol. > 0.10; VIF < 10	No multicollinearity
Multicollinearity: Liquidity	Tol. = 0.747; VIF = 1.338	Tol. > 0.10; VIF < 10	No multicollinearity
Multicollinearity: Solvency	Tol. = 0.825; VIF = 1.212	Tol. > 0.10; VIF < 10	No multicollinearity

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Test	Statistic	Criterion	Result
Heteroskedasticity (scatterplot)	Random scatter	No visible pattern	No heteroskedasticity
Autocorrelation (Durbin–Watson)	d = 2.468	4 − dU = 2.350	Inconclusive

Source: SPSS output, processed data (2026).

Table 3 presents the regression results. The estimated equation is $Y = 0.715 + 4.048X_1 + 0.103X_2 + 0.014X_3 + \varepsilon$. All coefficients are positive. Holding the other variables constant, a one-unit increase in profitability is associated with a 4.048-unit increase in financial performance. Only profitability is significant at the 5% level (t = 3.644; p = 0.001), while liquidity (t = 1.740; p = 0.093) and solvency (t = 0.100; p = 0.921) are not. Consequently, H_1 is accepted, and H_2 and H_3 are rejected.

Table 3. Multiple Linear Regression Results (Dependent Variable: Financial Performance)

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	0.715	0.165		4.336	0.000
Profitability (X_1)	4.048	1.111	0.541	3.644	0.001
Liquidity (X_2)	0.103	0.059	0.283	1.740	0.093
Solvency (X_3)	0.014	0.141	0.015	0.100	0.921

Source: SPSS output, processed data (2026).

The simultaneous test yields F = 7.856 with a significance of 0.001 (regression sum of squares 4.809 with 3 degrees of freedom; residual sum of squares 5.509 with 27 degrees of freedom), so H_4 is accepted: profitability, liquidity, and solvency jointly affect financial performance. The model has R = 0.683, R^2 = 0.466, and adjusted R^2 = 0.407, with a standard error of the estimate of 0.451713. The three variables thus explain 46.6% of the variation in financial performance (40.7% after adjustment), and the remaining 53.4% is attributable to factors outside the model.

Profitability and financial performance. Profitability has the largest and only significant partial effect (standardized beta = 0.541, against 0.283 for liquidity and 0.015 for solvency). A company that converts its assets into profit effectively is typically one that runs its operations efficiently and uses its assets, capital, and operating resources well, and this is consistent with higher financial performance. When profitability falls, financial performance is likely to weaken, so management needs to keep improving operating efficiency and sustaining its ability to earn profit. The result is consistent with Rahmawati

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and Rajagukguk (2026), Anggreini et al. (2025), and Yasyfa et al. (2025), who found a positive and significant effect of profitability on financial performance, but differs from Fitriyaningsih (2025), who reported no effect.

Liquidity and financial performance. Liquidity has a positive but insignificant effect. Being able to meet short-term obligations does not by itself raise financial performance, because current assets may not be put to work to generate sales or profit. Very high liquidity may even signal idle funds held in cash or other current assets that are not used productively. Companies should therefore keep liquidity at a level that safeguards short-term payment ability without leaving too many resources unproductive. This finding agrees with Fitriyaningsih (2025) and Rahmawati and Rajagukguk (2026), but contrasts with Mawadah et al. (2026), who reported a positive and significant effect.

Solvency and financial performance. Solvency also has a positive but insignificant effect. Debt can finance expansion, higher production capacity, and operational needs, yet it brings principal and interest obligations, so its effect on performance depends on how productively the borrowed funds are used. The positive sign suggests that external funding can help when well used, but the relationship is not strong enough to be statistically significant here, so solvency is not a dominant explanation of financial performance in the sample. This differs from studies that report a significant effect of solvency (Mawadah et al., 2026; Rahmawati & Rajagukguk, 2026), which indicates that the role of leverage varies across sectors and study periods.

Simultaneous effect. The significant F-test shows that financial performance is the product of several financial conditions together rather than of a single aspect. Significance in the joint test does not require every variable to be significant individually; in this model profitability drives the result. Companies should therefore not focus only on profit generation but also manage liquidity and capital structure effectively. The adjusted R^2 of 40.7% also shows that other factors, such as company size, cost structure, sales growth, excise and regulatory policy, and market conditions, are likely to influence financial performance and are worth including in future models.

CONCLUSION

This study examined the effect of profitability, liquidity, and solvency on the financial performance of four tobacco companies listed on the IDX during 2017–2024. Profitability has a positive and significant partial effect on financial performance. Liquidity and solvency have positive but statistically insignificant partial effects. Taken together, the three variables significantly affect financial performance and explain 46.6% of its variation, leaving 53.4% to other factors.

For company management, the findings imply that improving profitability through effective management of assets and resources is the most direct route to better financial

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performance, while liquidity and solvency should be kept at optimal levels so that the financial position stays healthy and funds are not left idle or over-leveraged. For investors, all three ratio groups remain useful in evaluating a tobacco company, with profitability carrying the most weight in this sample.

The study has limitations. It covers only four companies and 31 usable observations, uses a single proxy for each variable, and its Durbin–Watson result is inconclusive, so the estimates should be generalized with caution. Future research may add variables (for example company size, sales growth, and cost structure), use alternative ratios such as ROE, quick ratio, and times interest earned, lengthen the observation period, and extend the sample to other consumer-goods sub-sectors, ideally with panel-data estimation.

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