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The Effect Of Profitability And Liquidity On Stock Prices Of Food And Beverage Companies Listed On The Indonesia Stock Exchange Period 2022–2024

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Abstract

This study examines the effect of profitability and liquidity on stock prices of food and beverage companies listed on the Indonesia Stock Exchange (IDX) during 2022–2024. A quantitative design was used. From a population of 82 companies, purposive sampling produced 68 companies observed over three years, giving 204 firm-year observations of annual financial statements. Profitability was measured by Return on Assets (ROA), liquidity by the Current Ratio (CR), and stock price by Price to Book Value (PBV). Secondary data were collected through observation and documentation, and analyzed with SPSS version 27 using descriptive statistics, classical assumption tests, multiple linear regression, t-tests, an F-test, and the coefficient of determination at a 0.05 significance level. The partial results show that profitability has no significant effect on stock prices (t = −0.381; sig. = 0.704), whereas liquidity has a positive and significant effect (t = 4.074; sig. = 0.000). Simultaneously, profitability and liquidity significantly affect stock prices (F = 8.358; sig. = 0.000). The adjusted R^2 is 0.068, so the two variables explain only 6.8% of the variation in stock prices, and other factors outside the model account for the rest. Investors in this sector appear to give more weight to a firm's ability to meet short-term obligations than to its reported earnings in a given year.

Keywords: profitability; liquidity; stock price; return on assets; current ratio; food and beverage sector

INTRODUCTION

The capital market brings together companies that need funds and investors who supply them. Through the Indonesia Stock Exchange, firms that go public raise financing by issuing shares, while investors obtain returns from dividends and from increases in share prices. The number of listed companies on the IDX across all sectors grew from

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810 in 2022 to 889 in 2023 and 930 in 2024, which shows how active the market has become.

Stock price is one of the main indicators investors use to judge corporate performance. It reflects expectations about future returns and risk, and it is shaped by supply and demand. When financial statements signal weak performance, investor confidence declines, selling pressure rises, and prices fall. Investors therefore depend on relevant and accurate information, and financial statements analyzed through financial ratios are among the most common sources of that information (Hery, 2023; Sartono, 2022).

The food and beverage sector is a strategic part of the national economy. Its products are primary necessities, so demand tends to be stable and the sector is relatively resilient to economic change, which makes it attractive to investors. Even so, the average growth of stock prices in this sector declined gradually, from 3.01% in 2022 to 2.64% in 2023 and 2.10% in 2024. Over the same period, average ROA fluctuated (0.05% in 2022, 5.43% in 2023, and 3.73% in 2024), while average CR stayed fairly stable at about 3.48, 3.54, and 3.46. This pattern raises the question of which financial characteristics actually matter for stock prices in the sector.

Profitability describes a firm's ability to generate earnings from its assets and operations. Higher profitability is generally read as a positive signal of good prospects and of the ability to pay dividends and create capital gains. Liquidity describes the ability to meet short-term obligations on time. A liquid firm is perceived as having a lower risk of financial distress, which can raise investor confidence. Previous studies, however, report mixed results. Some find that profitability and liquidity affect stock prices, while others find no significant effect, depending on the sector, the period, and external conditions such as the COVID-19 pandemic (Marlina et al., 2022; Ningrum & Pertiwi, 2025; Salsabila et al., 2025; Wilda et al., 2025).

This inconsistency, together with the limited evidence for Indonesian food and beverage firms in the most recent period, motivates this study. The research questions are: (1) Does profitability affect stock prices? (2) Does liquidity affect stock prices? (3) Do profitability and liquidity together affect stock prices? (4) How much of the variation in stock prices do they explain? The study contributes to the accounting and finance literature by providing recent evidence on a defensive sector, and it offers practical input for companies seeking to attract investors and for investors using ratio analysis.

METHODS

This study uses a quantitative approach based on positivism, in which hypotheses are tested using numerical data and statistical analysis (Sugiyono, 2022). The data were obtained from the official IDX website (www.idx.co.id) and from the IDX office in Medan.

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The population consists of 82 food and beverage companies listed on the IDX during 2022–2024. Sampling used the purposive sampling technique with three criteria: (a) the company was listed on the IDX throughout 2022–2024; (b) the company published complete and audited financial statements for the three consecutive years; and (c) the company recorded sales rather than revenue accounts. Sixty-eight companies met the criteria. Over three years this gives 68 × 3 = 204 firm-year observations.

Variable	Role	Proxy	Formula
Profitability (X1)	Independent	Return on Assets (ROA)	Earnings after interest and tax ÷ Total assets
Liquidity (X2)	Independent	Current Ratio (CR)	Current assets ÷ Current liabilities
Stock price (Y)	Dependent	Price to Book Value (PBV)	Market price per share ÷ Book value per share

Secondary data were collected through observation and documentation of annual financial statements. Data were processed in IBM SPSS version 27 at a 0.05 significance level. The analysis consisted of descriptive statistics, classical assumption tests (normality using the Kolmogorov–Smirnov test and histogram and P-P plot, multicollinearity using tolerance and VIF, heteroscedasticity using a scatterplot, and autocorrelation using the Durbin–Watson statistic), multiple linear regression, partial (t) and simultaneous (F) hypothesis tests, and the coefficient of determination (Ghozali, 2021). The regression model is:

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

where Y is stock price (PBV), X_1 is profitability (ROA), X_2 is liquidity (CR), α is the constant, and ε is the error term.

RESULTS AND DISCUSSION

Descriptive Statistics

Table 1. Descriptive statistics (N = 204)

Variable	Minimum	Maximum	Mean	Std. deviation
Profitability (ROA)	−41.609	86.206	3.076	10.481
Liquidity (CR)	0.403	41.474	3.494	4.674
Stock price (PBV)	−0.530	46.220	2.582	4.587

The positive mean ROA indicates that, on average, the firms earned profits, but the standard deviation is much larger than the mean and the minimum value is negative, so profitability varies widely and some firms recorded losses. Liquidity averages 3.494, which suggests that firms in the sector can generally cover their short-term obligations,

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although dispersion across firms is again high. Stock prices (PBV) also vary considerably, which suggests differences in performance, prospects, and market conditions across firms.

Classical Assumption Tests

The Kolmogorov–Smirnov test gives an asymptotic significance of 0.146, which is above 0.05, so the residuals are normally distributed. The histogram and P-P plot support this result. Multicollinearity is not present, since tolerance is 0.969 and VIF is 1.032 for both predictors, which are respectively above 0.10 and below 10. The scatterplot of studentized residuals shows a random pattern around zero, so there is no sign of heteroscedasticity. The Durbin–Watson statistic is 1.797, which lies between du (1.7389) and 4 − du, so there is no autocorrelation. The model therefore satisfies the classical assumptions needed for OLS estimation.

Multiple Linear Regression

Table 2. Regression results (dependent variable: stock price)

Variable	B	Std. error	Beta	T	Sig.
(Constant)	0.328	0.030		10.991	0.000
Profitability (X1)	−0.002	0.006	−0.026	−0.381	0.704
Liquidity (X2)	0.216	0.053	0.281	4.074	0.000

The estimated equation is $Y = 0.328 - 0.002X_1 + 0.216X_2$. The coefficient of profitability is slightly negative but statistically indistinguishable from zero. The coefficient of liquidity is positive: holding profitability constant, a one-unit increase in liquidity is associated with a 0.216-unit increase in stock price.

Hypothesis Tests

Partial test (t-test). The critical t-value at the 5% level is 1.652. For profitability, |t| = 0.381 is below 1.652 and sig. = 0.704 is above 0.05, so H1 is rejected. For liquidity, t = 4.074 exceeds 1.652 and sig. = 0.000 is below 0.05, so H2 is accepted.
Simultaneous test (F-test).

Table 3. ANOVA

Source	Sum of squares	df	Mean square	F	Sig.
Regression	0.866	2	0.433	8.358	0.000
Residual	10.412	201	0.052		
Total	11.278	203			

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The calculated F of 8.358 exceeds the critical F of 2.650, and the significance is 0.000, so H3 is accepted: the two variables jointly affect stock prices.
Coefficient of determination. R is 0.277, R^2 is 0.077, and adjusted R^2 is 0.068. Profitability and liquidity together therefore explain only 6.8% of the variation in stock prices, and the remaining 93.2% is explained by factors outside the model.

DISCUSSION

Profitability and stock prices. Profitability did not significantly affect stock prices. A firm's ability to generate profit in a given year is therefore not necessarily the main consideration for investors. Investors may look at expected future prospects and the stability of earnings rather than at current-period profit alone. Firms in this sector also face changing raw material prices, production costs, purchasing power, and competition, which make annual profits volatile; the very low average ROA in 2022 and the sharp rebound in 2023 illustrate this. Stock prices may also respond to macroeconomic conditions, interest rates, inflation, dividend policy, capital structure, and market sentiment. The slightly negative coefficient should not be read as a causal effect, because it is not statistically significant. This result is consistent with Marlina et al. (2022), Ningrum and Pertiwi (2025), Wilda et al. (2025), and Salsabila et al. (2025), but differs from Arini and Nashrullah (2025) and Dewi and Saputra (2025), who found a significant effect.

Liquidity and stock prices. Liquidity had a positive and significant effect on stock prices. A higher current ratio means the firm can more comfortably meet its short-term obligations, which lowers the perceived risk of financial distress and sends a positive signal to investors. Greater confidence can raise demand for the shares and so push prices up. In the food and beverage sector, continuous operations and working capital needs make liquidity especially important, and investors may regard liquid firms as safer and more able to sustain operations. This finding agrees with Ningrum and Pertiwi (2025), who also found a positive effect of liquidity, but differs from Marlina et al. (2022) and Salsabila et al. (2025), who found no significant effect, and from Wilda et al. (2025), who found a negative effect. Differences in sector, period, and measurement may explain these variations.

Simultaneous effect. Although profitability is not significant on its own, the model as a whole is significant. Profitability shows the ability to produce earnings and liquidity shows the ability to meet short-term obligations, so together they give investors a more complete picture of the firm. The joint significance in this model is driven mainly by liquidity. The explanatory power remains low (adjusted R^2 = 6.8%), which indicates that other variables, such as leverage, firm size, dividend policy, macroeconomic conditions, and market sentiment, probably matter more for stock prices in this sector.

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CONCLUSION

Based on 204 firm-year observations of food and beverage companies listed on the IDX in 2022–2024, this study concludes that: (1) profitability, measured by ROA, has no significant effect on stock prices; (2) liquidity, measured by the current ratio, has a positive and significant effect on stock prices; and (3) profitability and liquidity simultaneously have a significant effect on stock prices, although together they explain only 6.8% of its variation.

For companies, the results suggest maintaining an adequate level of liquidity to strengthen investor confidence, while not focusing only on raising profitability but also on financial stability and business prospects. For investors, liquidity deserves attention alongside profitability when assessing firms in this sector, but ratio analysis alone is insufficient. Future research should add variables such as leverage, firm size, dividend policy, and macroeconomic indicators, extend the observation period, include other sectors, and consider alternative measures of profitability and liquidity (for example ROE, NPM, or the quick ratio) to obtain a more comprehensive picture.

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