The Effect of Liquidity, Activity, and Solvency on Profitability in PT. Indofood Sukses Makmur Tbk

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ABSTRACT: The purpose of this study was to determine the effect of liquidity, activity and solvency on profitability at PT. Indofood Sukses Makmur Tbk., in the period 2016-2020 period either simultaneously and partially. The problem discussed in this thesis is the decline in profits, which are fluctuating every year. The data analysis technique in this research is using quantitative menthods and secondary data. The population in this study is the food and baverage industry for the 2016-2020 and the sample taken is PT. Indofood Sukses Makmur Tbk. 2016-2020. The determination of samples in this study was purposive sampling. The analysis tool used is the multiple linear regression analysis method. Based on the results of statistical analysis, the following results were obtained: the results of the t-test showed that financial factors: (1) Liquidity has a negative and insignificant effect on Profitability. (2) Activities have a positive and insignificant effect on profitability. (3) Solvency has a positive and insignificant effect on profitability. The results of the F test show that the current ratio has a negative effect, inventory turn over, and debt to equity ratio have a positive and simultaneously in significant effect on return on assets.

KEYWORDS: Return On Asset (ROA), Current Ratio (CR), Inventory Turn Over (ITO), Debt to Equity Ratio (DER).

I. INTRODUCTION

Profitability is a ratio to assess the company's ability to seek profit or generate profits. Profitability reflects the performance of a company's management. This is indicated by the profit generated from sales and investment income. The point is that the use of this ratio shows the efficiency of the company. Profitability or better known as profit or profit is a very important goal for every company founder in any section. With profit, it can be said that it is a standard of business success, whether the business is running smoothly or not, if it generates maximum profit then the company's financial health is guaranteed. and will increase. Profitability for the last 5 years which is being studied from 2016 to 2020 can be said to be a standard where the profitability development obtained by (ROA) is said to fluctuate (fluctuate) not too high and not too low, in the range of 1% - 3% of the net profit calculation. divided by total assets. The use of profitability ratios can be done by measuring the various components in the financial statements, especially the balance sheet financial statements and the income statement. Assessment can be done for the operating period. The aim is to see the development of the company in a certain time span, both declines and increases, as well as to find the causes of these changes.

This study is intended to carry out further testing of empirical findings regarding financial ratios, especially those concerning liquidity, activity and solvency and profitability of the company. The selected sample is manufacturing companies, especially the food and beverage industry, whose condition remains stable. The global era that marked the world, including Indonesia, which began in 2008, many companies went bankrupt, but the food and beverage industry players were still able to produce and increase their sales. So, if a company has a high ROA, then the company has a great opportunity to increase growth and attract many investors. But if the total level of income earned by the company does not provide a profit, then the company will experience losses and will hamper growth.

Based on the description of the background, the authors are interested in conducting research with the title "The Effect of Liquidity, Activity, and Solvency on Profitability in PT. Indofood Sukses Makmur Tbk."

II. LITERATURE REVIEW

A. Financial Statements

Definition of Financial Statements

Financial statements are records of the company's financial information at an accounting time, which is used to describe the condition or performance of the company. Financial statements (financial statements) are quantitative financial information of an

entity in a certain period, and is the result of the accounting process. This financial report aims to provide entity information that can be utilized by a large number of users (stakeholders) (Primatua Sirait, 2019:2).

The purpose of Financial Statements
In general, financial statements are reports that contain the recording of money and transactions that occur in business, both purchase and sale transactions and other transactions that have economic and monetary value. Financial reports are made to find out the company's financial condition so that stakeholders and the use of accounting information can evaluate and prevent appropriate and fast measures if the financial condition of the business experiences problems or requires changes.

Financial Ratios as a Measuring Tool for Company Financial Performance
The analytical tool commonly used to measure the company's financial performance is financial ratios. To measure the company's financial performance by using financial ratios, it can be done with several financial ratios.

Each financial ratio has a specific purpose, use and meaning. Then, each result of the measured ratio is interpreted so that it becomes meaningful for decision making.

Definition of Profitability
Profitability ratio is a ratio to assess the company's ability to seek profit or profit in a certain period. This ratio also provides a measure of the effectiveness of a company's management as indicated by the profit generated from the seller or from investment income. It is said that the company's profitability is good if it is able to meet the profit target that has been set by using its assets or capital (Kasmir, 2019:114).

Definition of Likuidity
The liquidity ratio is a ratio that describes the company's ability to meet short-term obligations (Fred Weston). Another function of the liquidity ratio is to show or measure the company's ability to meet maturing obligations, both obligations of parties outside the company (business entity liquidity). Or in other words, the liquidity ratio shows the company's ability to pay its short-term debts (liabilities) that are due, or the ratio to determine the company's ability to finance and fulfill obligations (debts) when billed. (Kasmir, 2019:110).

Definition of Activity
The activity ratio is used to measure the level of efficiency in the use of company resources (sales, inventory, collection of receivables, and others) or the ratio to assess the company's ability to carry out daily activities. From the results of measurements with this ratio, it will be seen whether the company is more efficient or vice versa in managing its assets (Kasmir, 2019:114).

Definition of Solvability
The solvency ratio or leverage ratio is the ratio used to measure the extent to which the company's assets are financed by debt. This means that the amount of debt used by the company to finance its business activities when compared to its own capital. So that the comparison of the use of this ratio can be seen clearly, we can use the leverage ratio (Kasmir, 2019:113).

The Effect of Liquidity on Profitability
A high liquidity value indicates a company in a liquid condition, a liquid company is more attractive to investors. That way, investors are interested in buying company stock so that the value of the company's stock rises and has an effect on increasing stock prices (Daljono et al, 2013).

The Effect of Activity on Profitability
If the company can use its resources efficiently to increase sales, then this of course will have a positive impact on the company's profit growth rate. The higher TAT indicates that the company is more efficient in using its assets to generate sales (income) (Hery, 2017: 92).

The Effect of Solvency on Profitability
If the company's ability to generate good profits increases, the ability to meet long-term debt will also increase.]

The Effect of Liquidity, Activity, and Solvency on Profitability
Profitability reflects the company's ability to meet its financial obligations (debt) in the short term or a maximum of one year on time. This ability will be seen from the comparison between liquid assets (current assets) and current liabilities (short term debt). If it is good or positive then the company will be good and the capital and value of the company will live long.

***B.* Preview Research**
Research conducted by Yulia Fitri (2015) on the Influence of Liquidity, Solvency, and Activity on Company profitability (Study on Food and Beverage Companies Listed on the Indonesian Sharia Stock Index (ISSI) 2013-2017). Liquidity (current ratio) has a positive and significant effect on profitability (ROA). The solvency ratio (debt to equity) has no significant effect on profitability

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(ROA). The activity ratio (total asset turn over) has no effect on profitability (ROA). And (CR), (DER), and (TATO) have a simultaneous effect on profitability (ROA).

C. Framework Thinking

This study is intended to analyze the extent to which the strength of independent variables such as liquidity, activity and solvency partially and simultaneously on. Profitability at the company PT. Indofood Success Prosperous 2016-2020.
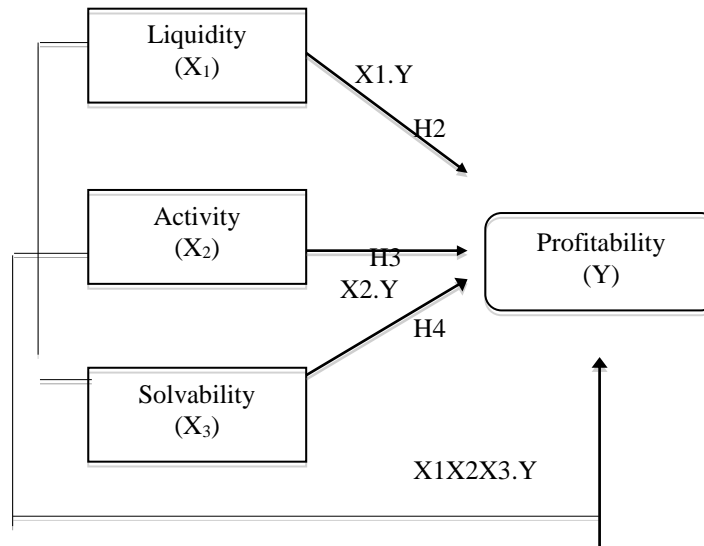
Note:

H_1 : Simultaneously

H2, H3, H4   : Partially

D. Research Hypothesis.

Based on the theoretical basis and problem formulation, as well as the above framework, the proposed hypothesis is:

Liquidity. Activity and Solvency simultaneously have a positive and significant effect on Profitability.

1. Liquidity has a positive and significant effect on profitability.
2. Activities have a positive and significant effect on profitability
3. Solvency has a positive and significant effect on profitability.

III. METHOD

A. OBJECT OF RESEARCH

The object of my research is PT. Indofood Sukses Makmur. The research method is a variable that becomes a point of attention to be studied and conclusions drawn. The object of research in this study is liquidity (current ratio), solvency or leverage (debt to equity ratio), profitability (return on equity), using complete financial and annual report data available on the website (www.annualreport.com). . Data taken from the company's financial report data that has been published on the company's website in the 2016 - 2020 period (5 years).

B. RESEARCH METHODS

The quantitative method is called the traditional method, because this method has been used for a long time so that it has become a tradition as a research method. This method is called the positivist method because it is based on the philosophy of positivism. This method is called the quantitative method because the research data is in the form of numbers and the analysis uses statistics (Sugiyono, 2018:16).

So, this study uses a descriptive-verificative research method through a quantitative approach. Descriptive approach is used to obtain information related to the phenomenon under study, while verification research is used to examine the effect or truth of the results of previous research.

a. Types of Research

The type of research used is descriptive method through a quantitative approach, aiming to make a systematic description of the object under study, then combining the related variables. The type of data required and collected in this study is quantitative data. Quantitative data itself is facts or information expressed in the form of numbers or numerical scale (numbers) at the company PT. Indofood Sukses Makmur Tbk in 2016-2020 and conducted partial hypothesis testing on the variables studied.

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b. Definition and Operationalization of Research Variables
Operational definition

The operational definition is an indication of how a variable is measured. By looking at the definition, a researcher will be able to find out a variable to be studied.

Operational variables are needed to determine indicators and types of related variables related to this research. Besides that, the operational variable aims to determine the measurement scale of each variable, so that hypothesis testing using tools can be carried out correctly.

DEFINITION OF VARIABLE OPERATIONALIZATION

In accordance with the title of the study that the authors chose, the effect of liquidity, solvency, and activity on profitability, the authors grouped the variables used in this study into independent variables (X) and dependent variables (Y). The explanation is as follows.

1. Independent or Independent Variable (X)

These variables are often referred to as stimulus, predictor, and antecedent variables. In Indonesian it is often referred to as the independent variable. The independent variable is a variable that affects or is the cause of the change or the emergence of the dependent (bound) variable (Sugiyono, 2018: 69).

2. Independent or Independent Variable (X)

These variables are often referred to as stimulus, predictor, and antecedent variables. In Indonesian it is often referred to as the independent variable. The independent variable is a variable that affects or is the cause of the change or the emergence of the dependent (bound) variable (Sugiyono, 2018: 69).

In this study, there are three (3) independent variables to be studied, including:

* **Liquidity Ratio (Current Ratio) (X1)**

The liquidity ratio is a ratio that describes the company's ability to pay its short-term debt. In this study, the liquidity ratio measurement tool is the Current Ratio (CR) or the current ratio which is the level of security against uncertainty over changes in cash flows. This ratio also shows the security available for impairment of non-cash current assets when the assets are disposed of or liquidated.

The formula used is as follows:

$$Return\ On\ Asset = \frac{Net\ Profit}{Total\ Assets}\ x\ 100$$

* **Activity Ratio (Inventory Turn Over) (X2)**

The activity ratio is a ratio used to measure the efficiency level of utilization of company resources or it can also be said that the ratio assesses the company's ability to carry out daily activities. In this study as a measure of the activity ratio is the Inventory Turn Over (ITO) which describes how many times the funds are invested in the inventory. This ratio also illustrates that the current condition of the company is able or not to achieve the predetermined target, and if it is not able to achieve the target, the management must be able to find the reasons for not achieving the specified target and find a solution to solve it.

Inventory Turn Over can be formulated as follows:

$$Inventory\ Turn\ Over = \frac{Cost\ of\ Good\ Sales}{Inventory}$$

* **Solvency Ratio (Debt To Equity Ratio) (X3)**

The solvency ratio is a ratio that describes the company's ability to pay its long-term debt. In this study the solvency ratio can be measured by the Debt To Equity Ratio (DER), where the solvency ratio is used to measure the company's ability to pay all obligations, both short term and long term if the company is dissolved (liquidated).

Debt To Equity can be formulated as follows:

$$Debt\ to\ Equity\ Ratio = \frac{Total\ Debt}{Equity}$$

3. Bound or Dependent Variable (Y)

Often referred to as output variables, criteria, consequent. In Indonesian it is often referred to as the dependent variable. The dependent variable is the variable that is influenced or which is the result, because of the independent variable (Sugiyono, 2018: 69).

a. Profitability (Y)

Profitability ratio is a ratio that measures the company's ability to seek profit or profit within a certain period. In this study, profitability can be measured by Return On Assets (ROA) or the yield used by this measure is used to see the ability of an entity

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from each asset it owns. The return on assets also indicates the efficiency of the use of the entity's assets in producing the main purpose of the entity being established (Indonesian Accounting Association, 2019:197).

Return on assets can be calculated by the formula:

$$Return\ On\ Asset = \frac{Net\ Profit}{Total\ Assets}\ x\ 100$$

b. Sample Population

Population is a collection of data that has the same characteristics of all sizes, objects or individuals being studied. And the population in this study is the food and beverage industry with a population of 7 (seven) industries.

The research sample is a set of data that is part of a population. In this study, the sample data is the financial statements for the year 2016-2020 in one of the food and beverage industries, namely PT. Indofood Sukses Makmur Tbk.

c. Sampling and Data Collection Techniques

Research using a representative sample will provide results that have the ability to be generalized to the population. The criteria for a representative sample depend on the population. The criteria for a representative sample depend on two interrelated aspects, namely the accuracy and accuracy of the sample. The meaning of divine accuracy is the extent to which the sample is not affected by bias. Accuracy is measured by the standard error of estimate and the standard deviation measurement form.

d. Sampling technique

In this study, the sampling technique used was purposive sampling, which is a sampling technique based on certain criteria (considerations) from members of the population. In this study, the sample data is the financial statements of the 2016-2020 annual period at the company PT. Indofood Sukses Makmur Tbk.

e. Data collection technique

The type of data used is secondary data. Secondary data is data obtained from other sources, such as books, journals, or other readings related to the problem to be studied. The nature of the data includes time series data which are the values of a variable that are sequential according to time. Researchers took four variables consisting of three independent variables and one dependent variable. The independent variables include the level of Liquidity, Activity and Solvency, while the dependent variable is the value of profitability. The four variables were taken with the same time period, namely from the beginning of 2016 to the end of 2020.

f. Data analysis technique

The data analysis technique used in this study is a statistical method used to analyze data and test hypotheses using descriptive analysis, multiple linear regression analysis, classical assumption testing and hypothesis testing with the help of Microsoft Excel and SPSS (statistical packagr for social science) software. . This is done to find out how much influence Liquidity, activity, and Solvency towards Profitability of the company PT. Indofood Sukses Makmur Tbk which will be investigated.

1. Statistical Descriptive Analysis Test

The data analysis technique used in this study is a statistical method used to analyze data and test hypotheses using descriptive analysis, multiple linear regression analysis, classical assumption testing and hypothesis testing with the help of Microsoft Excel and SPSS (statistical packagr for social science) software. . This is done to find out how much influence Liquidity, activity, and Solvency towards Profitability of the company PT. Indofood Sukses Makmur Tbk which will be investigated.

2. Classic assumption test

The classical assumption test is the conditions that must be met in the OLS linear regression model so that the model becomes valid as an estimator. The researcher will perform a statistical regression test in studying the relationship between the variables, so that from the relationship it can be estimated the value of the dependent variable if the independent variable is known or vice versa. Prior to multiple regression, it is necessary to test the classical assumptions so that the regression model becomes a more responsive (correct) model. Classical assumption tests used in the study include:

- **Normality Test**

The normality test aims to test whether in the regression method the dependent variable and the independent variable have normal data distribution or not, using the normal P-Plot graph. A good regression model is to have a normal distribution or close to normal.

- **Multicollinearity Test**

Multicollinearity test aims to test whether there is a correlation between the independent variables in the regression model. If there is a correlation, then there is a multicollinearity problem. A good regression model should not have a correlation between the independent variables.

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- **Heteroscedasticity Test**

The heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from the residuals or observations from other observations using the Scatteplot graph. A good regression model is that there is no heteroscedasticity.

- **Autocorrelation Test**

The autokerlation test aims to test whether in a linear regression model there is an error correlation between the nuisance in period t and the error in period t-1 (previous).

3. Multiple Linear Regression Analysis

This study uses Multiple Linear Regression, namely linear regression that uses more than one independent variable. Multiple linear regression analysis in this study was used to determine how much influence the variables Current Ratio Ratio (X1), Inventory Turn Over (X2), and Debt To Equity Ratio (X3) had on Return on Equity (Y).

Regression Equation : $Y = \alpha + \beta 1 X1 + \beta 2 X2 + \beta 3 X3 + \varepsilon$

4. Multiple Correlation Coefficient Analysis

Multiple correlation coefficient analysis is an index or number used to measure the closeness of the relationship between three or more variables. Multiple correlation coefficient analysis was used to see and determine the strength of the relationship between the X variable and the Y variable simultaneously.

5. Correlation Test

- **Simultaneous Correlation Test**

According to Sugiyono, (2008: 256) "Simultaneous Correlation Coefficient aims to determine there is a positive and significant relationship between the independent variables simultaneously (together) with the variable with the dependent variable". The simultaneous correlation coefficient can be calculated by the following formula:

$$R_{y.x_1 x_2} = \frac{\sqrt{r^2 y x_1 + r^2 y x_2 - 2^r_y x_1 2^r_y x_2}}{1 - r^2_{x1x2}}$$

- **Partial Correlation Coefficient**

According to (Sugiyono, 2008: 248) Partial Correlation Coefficient is a number that states the degree of relationship between the independent variable and the dependent variable or to determine the strength or relationship between the independent variable and the dependent variable. The formula for the partial correlation coefficient is as follows:

$$T_{xy} = \frac{N \sum xy \ (\sum x)(\sum y)}{\sqrt{\{N(\sum x)^2\}\{N \sum x^2 - (\sum x)^2\}}}$$

6. Test (R2) (Coefficient of Determination)

The coefficient of determination (R2) essentially measures how far the model's ability to explain the variation of the independent variable is. The value of the coefficient of determination R2 which is close to one means the independent variables.

The coefficient of determination is used to determine the relationship between the independent and dependent variables. The value of R2 lies between 0 to 1 (0 R2 1).

7. Hypothesis test
Simultaneous Hypothesis Testing

Simultaneous hypothesis testing (F test), aims to jointly influence the independent variable on the dependent variable. The F test is intended to test the regression coefficient (slope) hypothesis simultaneously. To calculate the F test the author uses the SPSS tool.

Partial Hypothesis Test

This test aims to determine the magnitude of the influence of each independent variable individually (partial) on the dependent variable. Determining the significant level (α) of 5% can be done based on the probability value.

IV. ANALYSYS AND DISCUSSION
A. Research Result

This chapter describes the results and discussion of research on the effect of liquidity, activity, and solvency on profitability in companies in 2016-2020. This study aims to examine whether there is an influence between financial ratios on profitability in companies so that this research can be an alternative to reviewing the company's profitability. financial reports for those in need.

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Table 1. Profitability Data (ROA) 2016-2020 Period

No	Year	ROA
1	2016	0.12
2	2017	0.11
3	2018	0.10
4	2019	0.11
5	2020	0.11
Highest Data	**0.12**	
Lowest Data	**0.10**	
Average	**0.11**	

Source: Financial Report www.annualreport.com 2022 (Data processed)

Table 2. Liquidity Data (CR) 2016-2020 Period

No	Year	CR
1	2016	0.66
2	2017	0.70
3	2018	0.67
4	2019	0.58
5	2020	0.49
Highest Data	**0.70**	
Lowest Data	**0.49**	
Average	**0.62**	

Source: Financial Report www.annualreport.com 2022 (Data processed)

Table 3. Aktivity Data (ITO) 2016-2020 Period

No	Year	ITO
1	2016	1.52
2	2017	1.50
3	2018	1.47
4	2019	1.41
5	2020	1.03
Highest Data	**1.52**	
Lowest Data	**1.03**	
Average	**1.39**	

Source: Financial Report www.annualreport.com 2022 (Data processed)

Table 4. Solvability Data (DER) 2016-2020 Period

No	Year	ITO
1	2016	0.87
2	2017	0.88
3	2018	0.93
4	2019	0.77
5	2020	1.06
Highest Data	**1.06**	
Lowest Data	**0.77**	
Average	**0.90**	

Source: Financial Report www.annualreport.com 2022 (Data processed)

B. Data Analysis

1. Statistical Descriptive Analysis Test

Table 5.

Descriptive Statistic					
	N	Minimum	Maximum	Mean	Std. Deviation
CR	5	.49	.70	.6200	.08515
ITO	5	1.03	1.52	1.3860	.20330
DER	5	.77	1.06	.9020	.10569
ROA	5	.10	.12	.1100	.00707
Valid N (Listwise)	5				

Source: Output SPSS 22 (Data processed)

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**2. Classic Assumption Test**

- **Normality test**

Table 6.

One – Sample Kolmogorov – Smirnov Test

		Unstandardized Residual
N		5
Normal Parameters[a,b]	Mean	.0000000
	Std Deviation	.00660869
Most Extreme Differences	Absolute	.188
	Positive	-.130
	Negative	-.188
Test Stayistic		.188
Asymp. Sig. (2-tailed		.200

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction
d. This is a lower bound of the true significance.

Source: Output SPSS 22 (Data Processed) 2022
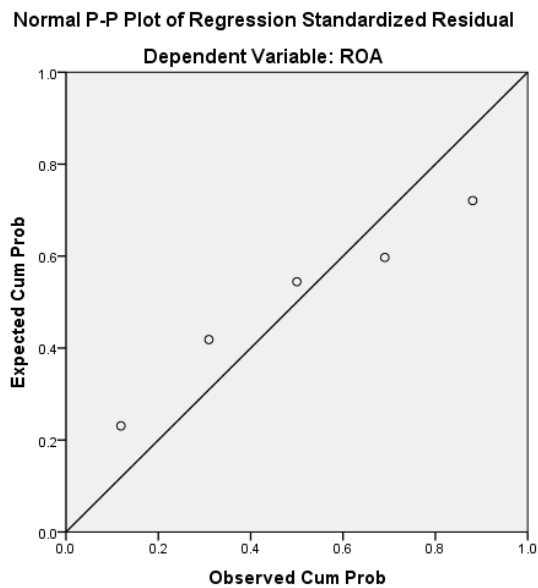
Source: Output SPSS 22 (Data Processed) 2022
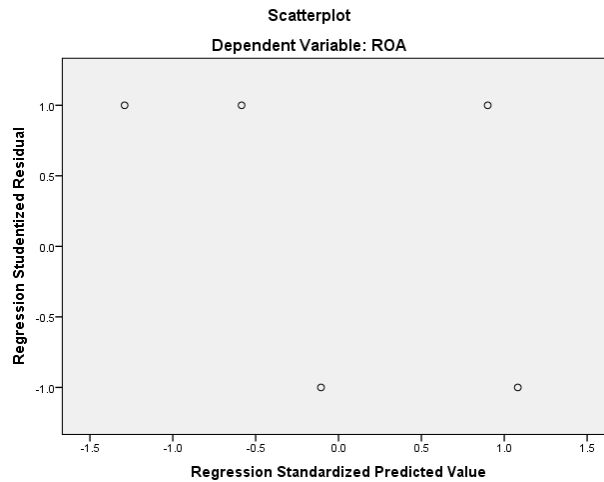
- **Multicollinearity Test**

Tabel 7.

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	CR	.040	24.861
	ITO	.023	43.271
	DER	.124	8.084
a. Dependent Variable: ROA			

Source: Output SPSS 22 (Data processed) 2022

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- **Heteroscedasticity Test**

Source: Output SPSS 22 (Data Processed) 2022

- **Autocorrelation Test**

Table 8.

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.356[a]	.127	-2.494	.01322	1.462
a. Predictors: (Constant), DER, CR, ITO					
b. Dependent Variable: ROA					

Source: Output SPSS 22 (Data processed) 2022

3. Multiple Linear Regression Analysis

Table 9.

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.356[a]	.127	-2.494	.01322
a. Predictors: (Constant), DER, CR, ITO				
b. Dependent Variable: ROA				

Source: Output SPSS 22 (Data processed) 2022

4. Correlation Test

Table 10. Simultaneous Correlation Coefficient

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		Sig.
Model		B	Std. Error	Beta	T	
1	(Constant)	.080	.233		.342	.790
	CR	-.115	.387	-.1389	-.298	.816
	ITO	.057	.214	1.646	.268	.834
	DER	.025	.178	.370	.139	.912
a. Dependent Variable: ROA						

Source: Output SPSS 22 (Data processed) 2022

5. R^2 Test (Coefficient of Determination)

Table 11. Coefficient of Determination Test (R^2)

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.356[a]	.127	-2.494	.01322
a. Predictors: (Constant), DER, CR, ITO				
b. Dependent Variable: ROA				

Source: Output SPSS 22 (Data processed) 2022

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6. Hypothesis Test Results

- **Simultaneous Hypothesis Test Results (F)**

Table 12. F Test Results (Simultaneous)

ANOVAᵃ						
Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	.000	3	.000	.342	.790
	Residual	.000	1	.000	-298	.816
	Total	.000	4		.268	.834
a. Dependent Variable: ROA						
b. Predictors: (Constant), DER, CR, ITO						

Source: Output SPSS 22 (Data processed) 2022

- **Partial Hypothesis Test Results (t)**

Tabel 13. Partial Hypothesis Test Results

Coefficientsᵃ						
		Unstandardized Coefficients		**Standardized Coefficients**	**T**	**Sig.**
Model		**B**	**Std. Error**			
1	(Constant)	.080	.233		.342	.790
	CR	-.115	.387	-1.389	.298	.816
	ITO	.057	.214	1.646	.268	.834
	DER	.025	.178	.370	.139	
a. Dependent Variable: ROA						

Source: Output SPSS 22 (Data processed) 2022

C. DISCUSSION

This study aims to determine the effect of liquidity, activity and solvency on profitability at PT. Indofood Sukses Makmur Tbk, 2016-2020 Period. Based on the results of the study, the following results were obtained:

1. Effect of Liquidity (CR), Activity (ITO), and Solvency (DER) on Profitability (ROA).

Based on the computational results of research data carried out with simultaneous test parametric values in table 4.13. The results obtained that Liquidity has a negative effect while Activity and Solvency has a positive effect and the three financial ratios are not significant to Profitability.

2. Effect of Liquidity (CR) on Profitability (ROA).

From the results of the test calculations, each (partial) current ratio variable has a Liquidity tcount (CR) of -0.298 < ttable of 6.131. The statistical results of the ttable test for the CR variable, which is 0.816 which is below the significance of 0.05, it can be concluded that the hypothesis 1 is rejected and 0 is accepted. So it can be concluded that partially CR has no significant effect on ROA.

According to the theory of Cashmere, the current ratio is a ratio to measure the company's ability to pay short-term obligations or debts that are due immediately when they are billed as a whole. Calculation of the current ratio is done by . if the ratio is low, it can be said that the company lacks capital to pay debts.

3. Effect of Activity (ITO) on Profitability (ROA)

Testing of the partially tested data Activity (ITO) has a positive and not significant effect on Profitability (ROA). This is indicated by the ITO tcount value of 0.268 < ttable of 6.131. The statistical results of the t test for the ITO variable are 0.834 > 0.05. So it can be concluded that ITO has a positive and insignificant effect on ROA. The positive effect shows that there is a one-way relationship between ITO and ROA. So this means that ITO has a positive and insignificant effect. So it can be concluded that the hypothesis 2 is rejected and 0 is accepted. So it can be concluded that ITO partially has no significant effect on ROA. This means that the increase in the activity ratio (ITO) does not increase the company's profitability. The results of the study directly present the data and results obtained from the research. This section only provides a narrative description of the research results without any interpretation or evaluation. The discussion section interprets the meaning of the research results, whether in accordance with expectations or not.

Thus, the proposed hypothesis is not verified, in other words 2 is rejected and 0 is accepted. This means that the ITO variable cannot be used as a basis for determining the size of the company's profitability.

4. Effect of Solvency (DER) on Profitability (ROA)

Based on $t_{count} < t_{table}$, it can be concluded that the unqualified ITO variable (DER) has a positive and insignificant effect on profitability (ROA). This is indicated by the t_{count} DER value of $0.139 < t_{table}$ of 6.131. The statistical results of the t test for the DER variable are $0.912 > 0.05$. So it can be concluded that DER has a positive and insignificant effect on ROA. The positive effect indicates that there is a one-way relationship between DER and ROA. So this means that ROA has a positive and insignificant effect.

So this means that DER has a positive and insignificant effect. So it can be concluded that the hypothesis 3 is rejected and 0 is accepted. So it can be concluded that partially DER has no significant effect on ROA. This means that an increase in the Solvency ratio (DER) does not increase the company's profitability and means that the company is unable to pay its long-term debt and long-term debt and is also unable to pay off all its debts by using all its assets.

V. CONCLUTIONS

Based on the analysis of research results and discussion of the effect of liquidation (CR), activity (ITO), and solvency (DER) in the company PT. indofood Sukses Makmur Tbk. For the 2016-2020 period, researchers can draw the following conclusions:

1. It can be seen that the F test results show that the F test results show an Fcount value of 48 with a probability (sig.) of 980. Dfl= K-1= 3. Df2= n-K= 2. Statistical results F_{table} with a significant 0.05 then get $F_{table} = 1.5$. From the calculation results, it can be seen that $F_{count} > F_{table}$ and the P-value $0.980 > 0.05$ means that H_1 is accepted and H_0 is rejected, so it can be concluded that the variables of Liquidity, Activity and Solvency together have a positive and significant influence on Profitability. If there is a simultaneous change in ITO and DER, it will affect the ROA value of a company.

2. Liquidity (CR) has a negative and insignificant effect on (ROA). This is indicated by the t_{count} CR value of $-0.298 < t_{table}$ of 3. The statistical results of the t-test for the CR variable are $0.816 > 0.05$. So it can be concluded that CR has a negative and insignificant effect on ROA. The negative effect indicates that there is a non-unidirectional relationship between CR and ROA. So this means that CR has a negative and insignificant effect. If there is an increase in CR, while other independent variables are considered constant, then this will not necessarily make ROA decrease, and vice versa, a decrease in CR does not necessarily cause ROA to increase.

3. Effect of Activity (ITO) on Profitability (ROA). Activity (ITO) has a positive and insignificant effect on Profitability (ROA). This is indicated by the ITO tcount value of $0.268 < t_{table}$ of 3. The statistical results of the t-test for the ITO variable are $0.834 > 0.05$. So it can be concluded that ITO has a positive and insignificant effect on ROA. The positive effect shows that there is a one-way relationship between ITO and ROA. So this means that ITO has a positive and insignificant effect. It can be said that, ITO changes while other independent variables are considered constant, then this will affect ROA.

4. Effect of Solvency (DER) on Profitability (ROA). Solvency (DER) has a positive and insignificant effect on Profitability (ROA). This is shown by the DER t_{count} value of $0.139 < t_{table}$ of t-test statistical results for the DER variable, which is $0.912 > 0.05$. So it can be concluded that DER has a positive and insignificant effect on ROA. The positive effect indicates that there is a one-way relationship between DER and ROA. So this means that DER has a positive and insignificant effect. If ROA is affected and other independent variables are considered constant, it can be said that DER has changed.

SUGGESTION

Based on the research results that have been described previously, the researcher's suggestions are as follows:

1. For Companies

It is expected that the company's profitability through (CR) will be even better, and the company can and is able to manage its long-term debt to finance the production process in order to earn a profit.

For the profitability ratio, which is an indicator of return on assets (ROA), therefore sales must be more optimal, reduce other expenses, increase profit margins, maintain asset turnover by increasing asset turnover, and also be more effective in managing assets.

In the Liquidity ratio, the indicator of which is the current ratio (CR), because it has not fulfilled its short-term debt, the current assets are increased, increasing sales and working capital efficiency.

For the activity ratio described through the inventory turnover in this study is in a fluctuating state, therefore, the company is able to increase the turnover of the stock of goods, rearrange the strategy, know the age of the product and reduce obsolete stock, change the pricing strategy of the company's products and improve the grouping of products produced.

Likewise, the solvency ratio described by the debt equity ratio (DER) is different every year, therefore the use of capital is more efficient in order to be able to finance both short-term debt and long-term debt, increase income, and improve business development.

2. For Further Researchers

The number of companies that are sampled in this research is relatively small because they only use food and beverage companies whose financial statements are published. Further researchers can use various types of companies, for example by including the financial industry but with separate analysis because the characteristics of the companies that fall are quite different.

This study only uses three variables, namely liquidity, activity and solvency. Further researchers can use variables that are more different and varied both with financial and non-financial variables or replace production on variables that are not significant in this study, so that it will provide results that truly describe what things affect the company's profitability.

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