Research Article

The Effect of Liquidity, Leverage, Efficiency, and Inflation on Financial Performance

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Abstract

This research investigates the influence of liquidity, leverage, total asset turnover ratio, and inflation on the financial performance of food and beverage companies listed on the Indonesia Stock Exchange from 2018 to 2022. Using a quantitative research method with secondary data and a purposive sampling method, 19 companies were selected for analysis. The research employed panel data analysis combining time series and cross-sectional data. The findings reveal that collectively, variables such as current ratio, debt to equity ratio, total asset turnover ratio, debt to total asset ratio, and inflation significantly impact financial performance. However, when examined individually, the current ratio and debt to total asset ratio show a negative and insignificant influence, while the debt to equity ratio displays a positive yet insignificant effect. Conversely, the total asset turnover ratio and inflation demonstrate a positive and significant impact on financial performance. This research underscores the managerial implications concerning the importance of monitoring specific financial ratios in decision-making processes, particularly in managing liquidity and asset efficiency. Managers are advised to consider inflation factors in financial planning and decision-making to optimize financial performance.

Keywords: Current Ratio, Debt to Equity Ratio, Total Asset Turnover Ratio, Debt to Total Asset Ratio, Inflation, Financial Performance

JEL Classification: G32, G31, E31

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1. Introduction

According to Sujarweni (2017), measuring financial performance is a comparison between the standards that have been set and the financial performance that exists within the company. This financial performance measurement is carried out simultaneously with the analysis process in which performance benchmarks use ratios that link two or more financial data reflected in financial reports to determine the extent to which the company's financial goals are or have achieved targets both internally and externally and becomes the most important aspect of financial risk management as well as, to measure the company's overall financial health over a certain period (Nurjanah & Fijrijanti, 2023).
According to Rudianto (2020), financial performance is the results or achievements that have been achieved by company management in managing company assets effectively during a certain period. Companies really need financial performance to know and evaluate the company's level of success based on the financial activities that have been carried out. According to Munawir (2022), financial performance has a measurement objective, namely, to determine liquidity, solvency level, profitability or profitability level, and stability level to show the company's ability to carry out financial obligations in running its business by considering the ability to pay debts and interest charges on debt to generate income in each period (Narwastu & Rusli, 2023).

Harianto (2020) states work supervision is a systematic effort as information feedback to determine whether deviations occur or not and measure the magnitude of the deviations. According to Moetheriono (2017), performance measurement is a process of assessing work progress toward goals and targets in managing human resources to produce goods and services. In company's financial performance it is closely related to performance measurement and assessment. Performance measurement is the qualifications, efficiency, and effectiveness of a company in operating the company's business during a certain period and an assessment process that aims to target the use of resources in producing results (Santosa, Rahayu, et al., 2022). Goods and services will be handed over to producers and see how the results are compared to what was expected (Panjaitan & Supriyati, 2023).

In general, this research refers to previous research, according to the results of research from Eprilia and Siregar (2020), which discusses the liquidity ratio as measured by the current ratio, which shows positive and significant results on financial performance. According to Farhan (2017), the results of the analysis of the solvency ratio as measured by the Debt-to-Equity ratio have a significant negative effect on stock returns. Meanwhile, according to Oktavianto et al. (2018), the solvability ratio is positive but not significant to financial performance.

Esthirahayu et al. (2018) state that the results of the analysis of the activity ratio as measured by the total asset turnover ratio have a positive and significant effect on financial performance. Meanwhile, according to Yuliana (2022), the results of the analysis of activity ratios have little effect on financial performance. The results of the analysis of capital structure as measured by DAR, DER, LDAR, and LDER on financial performance have a positive and significant effect on financial performance. Meanwhile, Capital Structure has a negative effect on Financial Performance.

The macroeconomic variable that can influence financial performance used in this research is inflation. Inflation is an increase in prices in general, and inflation can affect many things, including financial performance. According to the results of research conducted by Khan et al. (2019), the results of the analysis of inflation have a positive effect on return on assets ROA. In contrast, inflation does not affect liquidity and leverage, but the inflation variable influences profitability, which is measured using profit margins.

2. Literature Review and Hypothesis

**Literature Review**

**Financial performance**

According to Rudianto (2020), Financial performance is the result or achievement that has been achieved by company management in managing company assets effectively during a certain period. Companies really need financial performance to know and evaluate the company's level of success based on the financial activities that have been carried out. Meanwhile, according to Fahmi (2019), financial performance is an analysis carried out to see the extent to which an entity has implemented financial implementation rules properly and correctly.

**Current Ratio**

Hani (2017) and (Santosa et al., 2022) state that it is used as a goal to answer the question of how capable the company is of paying its obligations. The greater the current ratio, the better it is for creditors because there will be no errors in the company's ability to pay its short-term obligations.
Meanwhile, according to Kasmir (2018), liquidity ratio is a ratio that describes or measures a company's ability to fulfill short-term obligations (debt). This means that if the company is charged, the company will be able to fulfill the debt, especially the debt that is due.

**Debt to Equity Ratio**  
According to Periansya (2018), the Solvency Ratio (leverage ratio) is a ratio used to measure the extent to which a company's assets are financed with debt or financed by external parties. In contrast, according to Kasmir (2022), the Solvency Ratio (leverage ratio) is a ratio used to measure the extent to which the company's activities are financed with debt. Measuring the solvency ratio can be done using two approaches, namely by measuring the balance sheet ratios and the extent to which loans are used for capital and through the profit and loss ratios approach.

**Total Asset Turnover Ratio**  
According to Sugiarto & Santosa (2018) and Kasmir (2022), the activity ratio is a ratio used to measure a company's effectiveness in using the assets it owns. Alternatively, it could also be said that this ratio is used to measure the level of efficiency (effectiveness) of company resource utilization, and it could also be said that this ratio is used to measure the level of efficiency (effectiveness) of company resource utilization. A low activity ratio at a certain level of sales will result in greater excess funds being invested in these assets. The activity ratio is a ratio used to measure a company's effectiveness in using the activities of its assets.

**Debt to Total Assets**  
According to Sudana (2017) and (Albart et al., 2020), capital structure is related to a company's long-term expenditure, which is measured by comparing long-term debt with its own capital. Fahmi's (2017) capital structure describes the form of the company's financial proportions, namely the ratio between the capital owned and sourced from long-term debt, long-term liabilities, and shareholders' equity, which are the sources of financing for a company.

**Inflation**  
According to Putong (2018), inflation is an increase in commodity prices in general caused by a lack of synchronization between the commodity procurement system program (production, pricing, printing money, and so on) and the level of income owned by the community. In contrast, according to Gilarso (2022), inflation is a general increase in prices that originates from the disruption of the balance between the flow of money and the flow of goods.

**Conceptual framework**

![Conceptual framework diagram](image-url)
Hypothesis

The Effect of Current Ratio on Financial Performance

According to Kasmir (2018), liquidity ratio is a ratio that describes or measures a company's ability to fulfill short-term obligations (debt). Indriastuti and Ruslim (2020) show that the liquidity ratio has a significant effect on financial performance (ROA) has a positive and significant effect on financial performance. The current ratio increases, the increase in the amount of ROI and ROE in the liquidity ratio level of both companies will be effective in generating profits, which will have an impact on financial performance, and investors will have confidence in investing in the company; therefore if the level of liquidity is good in generating profits which will later have an impact on financial performance and investors will believe in investing in the company. However, it does not affect financial performance; (Islamiyati & Faruqi, 2023) show that the liquidity ratio has a negative and significant effect on financial performance, Muriithi and Waweru (2017) state that it has no significant effect on financial performance. Based on the description, the following research hypothesis can be made.

H1: Current Ratio has a negative and insignificant effect on financial performance.

The Effect of Debt-to-Equity Ratio on Financial Performance

According to Fahmi (2019), this ratio measures how much a company is financed with debt. Using debt that is too high will endanger the company because the company will fall into the extreme leverage category; that is, the company is trapped in a high level of debt, and it is difficult to get rid of the debt burden. Therefore, companies should balance how much debt is appropriate to take on and where the sources that can be used to finance debt come from. Indriastuti and Ruslim (2020) and Yuliana (2022) and (Saputri & Santoso, 2023) stated that the Solvency Ratio (DER) has a positive and significant effect on Return on Equity. If there is an increase or decrease in the Debt-to-Equity Ratio, it will have an impact on the increase or decrease that occurs in Return on Equity. The company's debt influences the company's return to Equity Ratio, where the greater the company's Debt to Equity Ratio, the better the company's financial performance. However, this is different from previous research conducted by Farkhan and Ika (2019), Asniwati (2020), which shows that the solvency ratio proxied by the debt-to-equity ratio has a negative and insignificant effect on financial performance. Based on the description above, the following research hypothesis can be made:

H2: Debt to Equity Ratio has a positive and insignificant effect on financial performance.

The Effect of Total Asset Turnover Ratio on Financial Performance

A low activity ratio at a certain level of sales will result in greater excess funds being invested in these assets. The activity ratio is a ratio used to measure a company's effectiveness in using the activities of its assets. Based on previous research conducted by Akhmad and Nur (2019), Warrad and Omari (2023), Indriastuti and Ruslim (2020), stated that the Activity Ratio has a positive and significant effect on financial performance. However, in contrast to previous research conducted Indriastuti and Ruslim (2020), it was positive and not significant in its influence on financial performance, showing that the activity ratio as measured by (TATO) experienced an increase in sales, which influenced income, so it also had an impact on financial performance. ROI and ROE in managing assets efficiently. Based on the description above, the following research hypothesis can be made:

H3: Total Asset Turnover Ratio has a positive and significant effect on financial performance.

The Effect of Debt to Asset Ratio on Financial Performance

Capital structure is the ratio or balance of a company's long-term funding, as shown by the ratio of long-term debt to its capital. Meanwhile, according to Kamaludin (2017), capital structure is where capital structure is a combination or mix of long-term financing sources. Based on previous research conducted it has no significant effect on financial performance. States that the capital structure proxied by the debt-to-equity ratio (DER) has a negative and significant effect on financial performance. Suppose a company wants to get good profitability and increase profits. In that case, the company must pay attention to the funding sources that will be used because, in this research, the debt ratio has a significant effect. On company profitability. Based on the description above, the following research hypothesis can be made:
H4: Debt to Total Assets has a negative and significant effect on financial performance.

The Effect of Inflation on Financial Performance
Macroeconomics Inflation is a process of increasing prices in an economy. However, if there is an increase in the price of just one or two goods, this can only be called inflation if the increase is widespread and causes a large increase in the prices of other goods. Based on previous research conducted by Yuliana (2022), Khan, Shahid, Bari, Anam, Shehzad, and Siddique (2019) stated that the inflation rate has a positive but not significant influence, whereas according to research conducted (Sihombing et al., 2023) state that the inflation rate has a positive and significant effect on financial performance. The greater the inflation, the greater the ROA. If the increase in prices that the company can enjoy is higher than the production costs incurred, then the company's profitability will increase. Based on the description above, the following research hypothesis can be made:

H5: Inflation has a positive and significant effect on financial performance.

The Influence of Current Ratio, Debt to Equity Ratio, Total Asset Turnover Ratio, Debt to Total Assets and Inflation on Financial Performance
Based on previous research conducted by Yuliana (2018), research on liquidity ratios, solvency, and inflation rates have a positive and significant effect on financial performance. Meanwhile, the activity ratio has no significant effect on financial performance.

3. Data and Method
Types of research
This research uses a type of quantitative research, quantitative research; quantitative research is data obtained in the form of numbers originating from other parties that have been collected or processed into data for analysis purposes or, in other words, data provided by third parties and not originating from the source directly. The data used in this research is secondary data, namely data collected from previously existing data. Data taken through financial reports are used to show the results of the independent variables current ratio, debt to equity ratio, asset turnover ratio, debt to asset ratio, and page for inflation listed on Bank Indonesia with the dependent variable namely financial performance obtained from the official website such as the Indonesian Stock Exchange website www.idx.co.id, Financial Services Authority www.ojk.go.id, Central Statistics Agency www.bps.go.id and the official website of each company in this research.

Data Types and Data Sources
This research takes a sample of financial performance on the Indonesia Stock Exchange during the 2018-2022 period. Secondary data is a data source that does not directly provide data to data collectors, such as through other people and the official website of the Indonesia Stock Exchange, the Jakarta Authority Website, the company website of each sample company studied, and several related journals, articles, and theses of previous researchers.

Data Collection Model
In data collection techniques, the author uses documentation techniques by looking at and quoting from official notes or documents, as well as carrying out further investigations and data processing for data purposes. In this documentary, data is used to look for data regarding a variable in the form of a financial report that a food company has published and vary from 2018-2022 through several official websites of these food and beverage companies and several websites related to research objects such as the Indonesian Stock Exchange (BEI) website and also the website of the Financial Services Authority (OJK).

Population and Sample
Population
Population is the totality of objects or individuals who have certain characteristics (traits) to be studied. The population in this research is food and beverage subsector manufacturing companies listed on the Indonesia Stock Exchange (BEI) starting from 2018-2022, totaling 27 companies.
Samples
The sample consists of several residents whose number is less than the total population. The sample determination technique in this research is purposive sampling (conditional sampling), namely, a sampling technique using certain criteria.

Data analysis method
Analysis of the method used uses panel data (pooled data) is a combination of time series data and cross-section data. Data processing uses Eviews 12 Version software. Several steps taken in this analysis will each be explained below. The regression equation in this research is as follows:

\[ Y_{it} = \alpha + \beta CR + \beta DER + \beta ATR + \beta DAR + \beta I + \epsilon_{it} \] (1)

Descriptive Statistical Analysis
According to Ghozali (2019), Descriptive statistical tests are carried out to find out and obtain descriptions related to the data used in research, such as the average value (mean), standard deviation (standard deviation), variance (variance), minimum value, maximum value, range, etc.

4. Results
Descriptive Data
The results of descriptive statistics are in Table 3 with the sample characteristics used, namely the number of samples (N), sample average (Mean), maximum value (Max), minimum value (Min), and standard deviation for each variable. The number of observations in the sample regarding the financial performance of food and beverage companies for the 2018-2022 period in the research is 19 data.

<table>
<thead>
<tr>
<th></th>
<th>ROA</th>
<th>CR</th>
<th>DER</th>
<th>TATO</th>
<th>DAR</th>
<th>INFLASI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.115439</td>
<td>2.815965</td>
<td>0.793684</td>
<td>1.161579</td>
<td>0.436667</td>
<td>2.510000</td>
</tr>
<tr>
<td>Median</td>
<td>0.100000</td>
<td>1.750000</td>
<td>0.600000</td>
<td>1.000000</td>
<td>0.410000</td>
<td>2.720000</td>
</tr>
<tr>
<td>Maximum</td>
<td>0.480000</td>
<td>13.270000</td>
<td>3.160000</td>
<td>3.100000</td>
<td>1.750000</td>
<td>3.130000</td>
</tr>
<tr>
<td>Minimum</td>
<td>0.000000</td>
<td>0.070000</td>
<td>0.020000</td>
<td>0.450000</td>
<td>0.120000</td>
<td>1.680000</td>
</tr>
<tr>
<td>Std. Dev</td>
<td>0.105103</td>
<td>12.828678</td>
<td>0.564342</td>
<td>0.564342</td>
<td>0.308524</td>
<td>0.615725</td>
</tr>
<tr>
<td>Skewness</td>
<td>1.840668</td>
<td>225.365</td>
<td>1.569060</td>
<td>1.130093</td>
<td>2.337250</td>
<td>-0.475399</td>
</tr>
<tr>
<td>Kurtos is</td>
<td>6.185795</td>
<td>172.2859</td>
<td>5.253768</td>
<td>4.088903</td>
<td>9.652594</td>
<td>1.500000</td>
</tr>
<tr>
<td>Jarque-Bera</td>
<td>56.29111</td>
<td>101.1493</td>
<td>35.42527</td>
<td>14.98460</td>
<td>157.0064</td>
<td>7.490787</td>
</tr>
<tr>
<td>Probability</td>
<td>0.000000</td>
<td>0.000000</td>
<td>0.000000</td>
<td>0.000000</td>
<td>0.000000</td>
<td>0.023626</td>
</tr>
<tr>
<td>Sum</td>
<td>6.580000</td>
<td>160.5100</td>
<td>45.24000</td>
<td>66.21000</td>
<td>24.89000</td>
<td>143.0700</td>
</tr>
<tr>
<td>Sum Sq. Dev</td>
<td>0.618614</td>
<td>160.5100</td>
<td>27.90673</td>
<td>17.83496</td>
<td>5.330467</td>
<td>21.23060</td>
</tr>
</tbody>
</table>

Source: Data processing results (2022)

Table 1 shows that the number of company observations in this study was 57. The average value of the financial performance variable (ROA) was 0.115439, with a standard deviation of 0.105103. The highest (maximum) ROA value is 0.480000, while the lowest (minimum) value is 0.000000. There is a very wide range of minimum and maximum values, indicating that the ability of the sample companies to produce financial performance is very different.

Estimation of Panel Data Analysis Models
Papproach to the Common Effect Model or Pooled Least Square method. In this method, the common effects model (CEM) performs a likelihood test. The dependent variable is financial performance (ROA), and the independent variables are the Current Ratio, Debt-to-Equity Ratio,
Based on the results of data processing, Table 2 shows the following results.

**Table 2. Estimation Results of the Common Effect Model Method**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>T-Statistic</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-0.029951</td>
<td>0.065662</td>
<td>-0.456132</td>
<td>0.6502</td>
</tr>
<tr>
<td>CR</td>
<td>-0.000150</td>
<td>0.005175</td>
<td>-0.029076</td>
<td>0.9769</td>
</tr>
<tr>
<td>DER</td>
<td>0.092728</td>
<td>0.028303</td>
<td>3.276240</td>
<td>0.0019</td>
</tr>
<tr>
<td>TATO</td>
<td>0.037671</td>
<td>0.023042</td>
<td>3.276240</td>
<td>0.1082</td>
</tr>
<tr>
<td>DAR</td>
<td>-0.140724</td>
<td>0.064916</td>
<td>2.167780</td>
<td>0.0349</td>
</tr>
<tr>
<td>INLASI</td>
<td>0.035820</td>
<td>0.021159</td>
<td>-2.167780</td>
<td>0.0966</td>
</tr>
</tbody>
</table>

**R-squared** 0.264177 | **Mean dependentvar** 0.115439 | **Adjusted R-squared** 0.19203 | **S.D. dependentvar** 0.105103

**Sum squared resid** 0.456190 | **Akaike info criterion** -1.781688 | **Schwarz criterion** -1.566629

**Log-likelihood** 66.77809 | **Hannan – Quinn criteria** -1.698109

**F-statistic** 5.662032 | **Durbin – Watson Start** 2.335230

**Prob(F-statistic)** 0.006596

Source: Data processing results (2022)

Based on Table 2, the common effect model (CEM) gets an R-Square value of 2.64% from the five independent variables: Current Ratio, Debt to Equity Ratio, Total Asset Turnover Ratio, Debt to Total Asset Ratio, and Inflation. Each has an insignificant influence on the dependent variable (financial performance).

**Fixed Effect Model Method Approach**

The fixed effect method assumes that there is a difference in intercept which only varies with individuals. At the same time, time is constant, using data processing tests using the fixed effect model (FEM) approach method to compare with the common effect model (CEM) approach method in testing Likelihood-test. in Table 3 as follows:

**Table 3. Estimation Results of the Fixed Effect Method**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>T-Statistic</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-0.00119</td>
<td>0.065311</td>
<td>-0.018364</td>
<td>0.9855</td>
</tr>
<tr>
<td>CR</td>
<td>0.000582</td>
<td>0.011666</td>
<td>-0.049872</td>
<td>0.9605</td>
</tr>
<tr>
<td>DER</td>
<td>-0.002157</td>
<td>0.031469</td>
<td>-0.068554</td>
<td>0.9458</td>
</tr>
<tr>
<td>TATO</td>
<td>0.057595</td>
<td>0.040229</td>
<td>1.680251</td>
<td>0.1024</td>
</tr>
<tr>
<td>DAR</td>
<td>-0.024747</td>
<td>0.045790</td>
<td>-0.540450</td>
<td>0.5925</td>
</tr>
<tr>
<td>INLASI</td>
<td>0.019522</td>
<td>0.013355</td>
<td>1.461767</td>
<td>0.1533</td>
</tr>
</tbody>
</table>

**Effects Specification**

| R-squared | 0.854974 | **Mean dependentvar** | 0.115439 |
| Adjusted R-squared | 0.753895 | S.D. dependentvar | 0.105103 |
| S.E. of regression | 0.0352141 | Akaike info criterion | -2.774186 |
| Sum squared resid | 0.089715 | Schwarz criterion | -1.913953 |
| Log-likelihood | 103.0643 | Hannan – Quinn criteria | -2.439870 |
| F-statistic | 8.458502 | Durbin – Watson Start | 2.335230 |
| Prob(F-statistic) | 0.000000 |

Source: Data processing results (2022)

From Table 3 using FEM, the R-square is greater than using the CEM method, namely with a result of 8.54%, compared to the previous method. The results of the FEM method show that the variables Current Ratio, Debt to Equity Ratio, Total Asset Turnover Ratio, Debt to Total Asset.
Hausman-test testing.

The Likelihood-test test shows that the best panel data estimation model is FEM, and a comparison will be made between the FEM test and the REM test using the Hausman test method in the hypothesis used in the Hausman-test test.

Table 4. Hausman-test test results

<table>
<thead>
<tr>
<th>Test Summary</th>
<th>Chi – Sq. Statistic</th>
<th>Chi – Sq. d.f</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section random</td>
<td>5.768701</td>
<td>5</td>
<td>0.3294</td>
</tr>
</tbody>
</table>

Source: Data processing results (2022)

The results of the Hausman test in Table 4 show that the probability value of the Chi-square value is 0.3294; because the Chi-square probability value is greater than 0.05, Ho is accepted. Based on the Hausman test value, the best panel data estimation model is REM.

Lagrange Multiple-test testing

From the Hausman-test test results, the best panel data estimation model is REM. The data will be compared between REM and CEM to test the results of the Lagrange multiple tests as follows:

Table 5. Langrange Multiple test

<table>
<thead>
<tr>
<th>Test Hypothesis</th>
<th>Cross - section</th>
<th>Time</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breusch - Pagan</td>
<td>20.92639 (0.0000)</td>
<td>0.810363 (0.3680)</td>
<td>21.73675 (0.0000)</td>
</tr>
</tbody>
</table>

Source: Data processing results (2022)

The results of the Lagrange Multiple-test in Table 5 conclude that the Breusch-Pagan cross section is 0.0000, and the probability value is smaller than 0.05, so Ho is rejected. Thus, the results of the Lagrange Multiple-test from the best panel data estimation model are REM.

Partial test (t-test)

The partial test evaluates the influence of each independent variable on the dependent variable. This includes the value of debt to equity, the value of debt to total assets, and inflation. It also determines whether each independent variable influences financial performance's Return on Assets (ROA) positively or negatively.

Table 6. t-Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>T - Statistic</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-0.014971</td>
<td>-0.101821</td>
<td>0.053452</td>
<td>-1.088139</td>
</tr>
<tr>
<td>CR</td>
<td>0.054642</td>
<td>0.91930</td>
<td>0.027 469</td>
<td>0.2816</td>
</tr>
<tr>
<td>DER</td>
<td>0.273979</td>
<td>0.033192</td>
<td>1.945887</td>
<td>0.025812</td>
</tr>
<tr>
<td>TATO</td>
<td>0.7852</td>
<td>0.025715</td>
<td>0.0572</td>
<td>0.012475</td>
</tr>
<tr>
<td>DAR</td>
<td>-0.000666</td>
<td>1.290782</td>
<td>-0.047947</td>
<td>2.069175</td>
</tr>
<tr>
<td>INFLASI</td>
<td>0.006541</td>
<td>0.2026</td>
<td>0.044064</td>
<td>0.0436</td>
</tr>
</tbody>
</table>

Source: Data processing results (2022)

Based on the data above, testing the variables current ratio, debt to equity ratio, asset turnover ratio, debt to asset ratio, and inflation on financial performance produces

Simultaneous Test (F-Test)

To find out whether there is an influence on the independent variables which together have a significant effect on the dependent variable. The following F test results are shown in the Table:
Based on the above probability value, the F-statistic is 0.041954, which is smaller than the error rate, namely ($\alpha=0.05$). It can be concluded that the random effect regression model can simultaneously show whether the independent variables, current ratio, debt to equity ratio, asset turnover ratio, debt to asset ratio, and inflation, influence financial performance.

### 5. Discussion

#### The Effect of Current Ratio on Financial Performance

Based on the results of the hypothesis obtained from the value variable current ratio, which is proxied to me, the current ratio does not have a significant effect on financial performance, which is obtained from the results of statistical tests in the t-test, that the current ratio has no effect on financial performance. The results of this research stated that the current ratio does not have a significant influence on financial performance (ROA) for the Current ratio. This finding is in line with research conducted by Indriastuti and Ruslim (2020), Muriithi, and Waweru (2017), which states that the current ratio has no significant effect on financial performance. Meanwhile, the results of the research are not in line with the research carried out that the liquidity ratio (current ratio) shows that the liquidity ratio variable (current ratio) has a significant effect on financial performance carried out by Eprilia and Siregar (2020), Wulandari, Hasibuan, Sianturi, and Ginting (2020), Asniwati (2020).

#### The Effect of Debt-to-Equity Ratio on Financial Performance (ROA)

With the second hypothesis, it can be obtained that debt to Equity ratio has no significant effect on financial performance based on the results of statistical tests using the t-test, which can be seen that the solvency ratio has a value of t-count which affects financial performance with a coefficient value which can have a positive effect to show that every increase in Debt to An Equity Ratio will increase financial performance, a significant value meaning that the Debt to Equity Ratio has no significant effect on financial performance, where the influence of the solvency ratio shows that the effect is not significant. Based on statistical results, the debt-equity ratio has no significant results on financial performance. The debt-equity ratio (DER) partially has no significant effect on the financial performance (ROA) of food and beverage companies listed on the Indonesian stock exchange in the period research from 2018 to 2022. This finding can be in line with research conducted by Budiyono (2017) stated that Debt to Equity Ratio is not significant to financial performance (ROA).

#### The Effect of Total Asset Turnover Ration Financial Performance (ROA)

The third hypothesis generated in this research states that the total Asset Turnover Ratio has a positive and significant effect on financial performance based on the results of research conducted through the t-test, which can be seen that the Total Asset Turnover Ratio has a value of count which can be concluded that the Total Asset Turnover Ratio influences financial performance, with a coefficient value meaning that for every increase in the Total Asset Turnover Ratio variable, there is an increase in ROA in a positive direction with a significance level meaning that the Total Asset Turnover Ratio has a significant positive effect on financial performance, which is the influence The Total Asset Turnover Ratio shows that the effect is not significant so that is rejected and is accepted. From these results, the Total Asset Turnover Ratio has a positive and significant influence on financial performance. From the results of this research, the Total Asset Turnover Ratio (TATO) has a partially significant influence on financial performance. This can be in line with research conducted by Esthirahayu, Handayani and Hidayat (2019), Akhmad and Nur (2019),

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**Table 7. F Test Results (simultaneous)**

<table>
<thead>
<tr>
<th></th>
<th>Weighted Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-squared</td>
<td>0.197205</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.118500</td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>0.053037</td>
</tr>
<tr>
<td>F-statistic</td>
<td>2.505610</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.041954</td>
</tr>
</tbody>
</table>

Source: Data processing results (2022)
Warrad and Omari (2020), stated that Total Asset Turnover Ratio (TATO) for the Total Asset Turnover Ratio ratio has a significant influence on financial performance (ROA).

**The Effect of Debt to Total Asset Ratio on Financial Performance (ROA)**

At fourth hypothesis for Debt to Total Assets does not have a significant effect on financial performance based on research results from statistical test results via the t-test, which is known that to Total Assets has value t count, which means that capital structure does not have a significant effect on financial performance with a coefficient value, which means that every time the capital structure increases by, the return on assets decreases in a negative direction. With a significance level, the influence Debt to Total Assets does not have a significant effect on financial performance, these results show that Debt to Total Assets does not have a significant effect on financial performance. From the results of this research, the debt-to-asset ratio (DAR) for the capital structure variable ratio partially states that there is no significant influence on financial performance (ROA). This can be in line with research conducted which stated that debt to Total Assets does not have a significant influence on financial performance.

**The Effect of Inflation on Financial Performance (ROA)**

The fifth hypothesis proposed states that inflation has a positive effect on financial performance based on the results of statistical tests via the t-test known as t-count, which means that inflation has an influence on financial performance with a coefficient value which means that for every increase in the capital structure, there is an increase in ROA in a positive direction and has a significantly higher level, which means it affects financial performance. Furthermore, these results show that inflation has a positive and significant influence on financial performance where accepted and rejected, and the results of this research state that inflation partially states there is a significant influence on financial performance (ROA). This finding can be in line with research which is conducted by (Khan, Shahid, 2020).

**Influence of Current Ratio, Debt to Equity Ratio, Total Asset Turnover Ratio, Debt to Asset Ratio, and Inflation simultaneously on Financial Performance (ROA)**

From the results of this research, it can be stated that the Current Ratio, debt-equity ratio, Total Asset Turnover Ratio, debt-to-total asset ratio, and inflation which states that simultaneously state that there is a significant influence on financial performance (ROA). This can be in line with research conducted by Esthirahayu, Handayani, and Hidayat (2019), Akhmad and Nur (2019), Wulandari et al. (2020), Asniwati (2020), Indriastuti and Ruslim (2020). State that simultaneously, the Current Ratio, debt-equity ratio, Total Asset Turnover Ratio, debt-to-total asset ratio, and inflation have a significant influence on financial performance.

**6. Conclusion**

Based on the discussion of the analysis results, it can be concluded that the influence of the current ratio, debt-to-equity ratio, total asset turnover ratio, debt-to-total asset ratio, and inflation on financial performance (ROA) is as follows: current ratio, partially has a negative and insignificant effect on the financial performance, debt to equity ratio, partially has a positive and insignificant effect on the financial performance, Total asset turnover ratio, partially has a positive and significant effect on the financial performance, debt to total asset ratio, has a negative and insignificant effect on the financial performance. The analysis results suggest that various financial metrics influence a company's financial performance differently. The current ratio's negative and insignificant effect implies that while maintaining sufficient current assets is crucial, an excessively high ratio may indicate underutilization of assets, potentially impacting profitability. Conversely, the positive but insignificant effect of the debt-to-equity ratio suggests that while moderate debt levels can enhance returns, excessive debt may lead to financial distress without significantly impacting profitability. On the other hand, the positive and significant effect of the total asset turnover ratio indicates that effectively utilizing assets to generate sales positively impacts profitability, reflecting operational efficiency.
The managerial implications for concluding the influence of current ratio, debt to equity ratio, total asset turnover ratio, debt to total asset ratio, and inflation on financial performance in conclusion, effective management of these financial metrics, coupled with a proactive approach towards inflation, can significantly influence a company's financial performance and long-term sustainability. Therefore, managers must continuously monitor and adjust these factors to optimize overall organizational outcomes.

**Recommendation**

Further research can help us gain a deeper understanding of the influence of the current ratio, equity, total assets, debt to assets, and inflation on the company's financial performance.

**References**


