

The Impact of Liquidity and Leverage on Return on Investment (Roi) in Consumer Goods Firms Listed on The Indonesia Stock Exchange From 2021 to 2024

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INDEXING	ABSTRACT
<p>Keywords: Keyword 1; liquidity Keyword 2; leverage Keyword 3; return on investment Keyword 4; consumer goods Keyword 5; Indonesia Stock Exchange</p>	<p>This study seeks to examine the impact of liquidity and leverage on return on investment (ROI) in consumer products companies listed on the Indonesia Stock Exchange (IDX) from 2021 to 2024. The study utilizes a quantitative methodology, including an associative design. Samples were chosen using purposive sampling, focusing on active enterprises that regularly publish yearly financial statements and supply comprehensive ratio data. The data were examined with multiple linear regression utilizing JASP statistical software. The findings demonstrate that both liquidity and leverage concurrently exert a substantial influence on ROI. Leverage exerts a favorable and considerable influence on ROI; however, liquidity does not have a meaningful impact. The adjusted coefficient of determination (adjusted R²) of 26.3% indicates that the variance in ROI can be elucidated by the two independent variables. These data indicate that effective debt management has a greater impact on investment return performance than the company's liquidity status.</p>

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INTRODUCTION

The consumer goods sector plays a crucial role in fostering national economic progress. This scenario motivates several enterprises to persist in innovation, hence fostering increasingly intense competition within this industry. The competition necessitates that enterprises enhance their competitiveness, thereby affecting the company's valuation. Sartono (2010:265) asserts that a company's value is the market price of an operational enterprise. This value can be influenced by various financial ratios, including liquidity and leverage ratios, which are often used in analyzing a company's performance and financial position (Setiawan & Widjaja, 2022).

The liquidity level of a company is considered a factor influencing profitability. The profitability level reflects productivity and operational status in the current context (Liu et al., 2023). Liquidity serves as a critical measure of a company's capacity to fulfill its short-term liabilities. Firms exhibiting high liquidity generally experience more stable operations and reduced financial risks, enabling them to sustain optimal profitability levels (Dwiyanthi & Sudiarta, 2017). The level of profitability reflects productivity and operational status within the current context (Donangelo et al., 2019). In contrast, low liquidity may lead to

operational disruptions that adversely affect financial performance. Prior studies indicate a positive correlation between liquidity and profitability in firms within the consumer goods sector (Putri, Z.A., et al., 2012). To mitigate the negative impact of operating leverage, it is essential for firms with high leverage to lower fixed operating costs by either reducing installed capital or decreasing production in response to a declining market or adverse demand shock. Additionally, effective operating flexibility can enable leveraged firms to enhance their debt capacity (Li et al., 2020).

Meanwhile, leverage serves as a measure of the extent to which a company uses debt in its capital structure. A high level of leverage can increase the risk of default and negatively impact profitability, but under certain conditions it can also increase returns if managed properly (Timbuleng et al., 2015). High leverage can increase the risk of bankruptcy, but it also provides higher profit potential (Syafitri & Junaeni, 2022). Leverage is an endogenous variable driven by heterogeneous time-varying risk aversion (Santos & Veronesi, 2022).

Consequently, ROI is affected by several internal elements of the organization, including liquidity and leverage. ROI is a metric that assesses a company's overall capacity to make profits relative to its total assets. The Return On Investment (ROI) analysis holds significant importance in financial analysis, serving as a fundamental technique in complete financial evaluation (Ginny & Jasumin, 2019). Return on investment is defined as the ratio of overall benefits (savings) (Gurnani et al., 2022).

Given the significance of ROI as a measure of financial performance and the impact of liquidity and leverage, additional research is required to explore the relationship between these two variables and ROI. This research concentrates on consumer product businesses listed on the Indonesia Stock Exchange (IDX) from 2021 to 2024. Indonesia is presently categorized as a nation with a substantial and expanding population. The population rise has significantly augmented domestic consumption. This situation significantly influences the growth of the consumer goods sector in Indonesia.

This industry also has the potential to access a broader and more diverse consumer. This study specifically targets manufacturing enterprises within the consumer goods sector (Welly & Widjaja, 2021).

According to (Saputra & Lisdawati, 2019) in his research, there is no partial influence of leverage on company performance (ROA), but for liquidity there is an influence. But simultaneously both have an effect. Then according to (Tanzil et al, 2017) The findings of his research indicate that liquidity and leverage significantly affect profitability. Consequently, discrepancies persist among studies regarding the strength and direction of influence of each variable, rendering this topic pertinent for further investigation within the consumer goods sector companies listed on the IDX for the 2021–2024 period.

LITERATURE REVIEW

Liquidity refers to how well a company can meet its upcoming financial obligations. The liquidity ratio indicates the degree to which a company's current assets can satisfy its current liabilities. The Current Ratio (CR) is a frequently utilized metric for assessing liquidity. Dr. Hery (2015) asserts that liquidity is crucial for evaluating the efficient execution of short-term operations and shaping investors' perceptions of corporate risks. Companies exhibiting a robust liquidity position are deemed capable of sustaining cash flow stability and ensuring company continuity. Setiawan & Widjaja's (2022) research reveals that liquidity

plays a significant role in a company's value, demonstrating the management's ability to effectively manage assets to meet short-term obligations.

Leverage quantifies a company's capital structure, particularly the ratio of debt used to finance assets. Increased leverage elevates a company's financial danger, although it also possesses the capacity to yield enhanced profits for shareholders. Kasmir (2017) asserts that leverage can be evaluated through the Debt-to-Equity Ratio (DER), which juxtaposes total debt against entire equity. This ratio indicates the degree of the company's dependence on external financing. Syafitri and Junaeni (2022) assert that leverage influences profitability, while its impact is contingent upon management's handling of debt risk and the efficacy of capital use.

Return on Investment (ROI) is a metric employed to assess a company's efficiency in generating profits from its total assets. By analyzing ROI, businesses can make informed decisions about resource allocation and identify areas for improvement. High ROI indicates effective management and allocation of resources, while low ROI may prompt a reevaluation of strategies and practices. ROI describes how efficient the company is at converting working capital into net profit. According to Harahap (2015), ROI is an important indicator because it reflects overall financial performance and is often used by investors in assessing the feasibility of investments. Research by Ginny & Jasumin (2019) shows that ROI is influenced by proper liquidity and leverage management. The management of these two factors will have an impact on the effectiveness of asset use and profit achievement.

RESEARCH METHOD

This study employs a quantitative methodology characterized by associative research. This approach aims to determine the degree of influence between two independent factors, liquidity and leverage, and the dependent variable, Return on Investment (ROI). This strategy is deemed suitable as it employs numerical data examined through statistical approaches.

This research focuses on a consumer products firm listed on the Indonesia Stock Exchange (IDX) from 2021 to 2024. This industry was chosen due to its crucial contribution to domestic demand growth and its capacity to sustain operational stability notwithstanding economic fluctuations.

This study utilizes secondary data sourced from the firm's yearly financial statements, which are officially published on the IDX website (www.idx.co.id) and the respective company websites. The sample selection was conducted utilizing purposive sampling methods based on the following criteria: Companies that are regularly listed on the IDX during the 2021–2024 timeframe frequently publish annual financial statements and possess comprehensive data for calculating liquidity ratios, leverage, and ROI.

After the data has been gathered and analyzed, the subsequent step is to do multiple linear regression analysis to assess the impact of CR and DER on ROI, either individually or concurrently. The examination is conducted by the following procedures: The Normality Test assesses whether the residual data follows a normal distribution. The multicollinearity test is conducted to verify the absence of significant association among independent variables. The heteroscedasticity test assesses the constancy of residual variance (homoscedasticity). Multiple Linear Regression Analysis, Partial Test (t-test), Simultaneous Test (F-test), Coefficient of Determination (R^2). The complete data processing is conducted using the current version of JASP software, which offers efficient and transparent regression analysis and assumption testing capabilities.

RESULT AND DISCUSSION

Table.1 Residual Normality Test Results (Normal Q-Q Plot)

Criterion	Observation Results	Conclusion
Q-Q Plot graphic pole	The data point spreads close to the diagonal line	Normally distributed residual data

Source : Processed Data (2025)

Normal tests are conducted to verify that the distribution of residual data is normal. Based on the Normal Q-Q Plot graph generated by JASP, the data points are dispersed symmetrically around the diagonal line. This signifies that the residuals in the regression model follow a normal distribution, hence satisfying the condition of normality.

Table.2 Multicollinearity Test Results

Variable	Tolerance	VIF	Conclusion
CR	0.616	1.624	Multicollinearity does not occur
DER	0.616	1.624	Multicollinearity does not occur

Source : Processed Data (2025)

The multicollinearity test assesses the degree of correlation among independent variables. The JASP calculation results indicate that the VIF value for each variable is less than 10, while the tolerance value exceeds 0.10. Therefore, it can be concluded that multicollinearity does not exist between the CR and DER variables.

Table.3 Results of Heteroscedasticity Test (Residual Scatterplot)

Criterion	Observation Results	Conclusion
Spread pattern scatterplot	The dots spread randomly, not forming a specific pattern	Heteroscedasticity does not occur

Source : Processed Data (2025)

The heteroscedasticity test was conducted by examining the residual dispersion via a scatterplot. The output findings from JASP indicate that the leftover dots are dispersed randomly without a discernible pattern, either expanding or contracting. Consequently, it may be inferred that this regression model does not exhibit heteroscedasticity, and the stationary assumption of residual variance is satisfied. Following the conclusion of classical assumption tests that confirmed the regression model satisfied the statistical criteria (normality, absence of multicollinearity, and lack of heteroscedasticity), the subsequent phase involved assessing the collective or partial impact of independent variables on the dependent variables.

This study employed multiple linear regression analysis to ascertain the influence of liquidity (current ratio) and leverage (debt-to-equity ratio) on return on investment (ROI). This model is deemed the most appropriate since it quantitatively assesses the link between two or more independent variables and a single dependent variable concurrently. The findings of this analysis are the essence of the research, as they address the problem formulation and evaluate the presented hypotheses. This presentation will clearly explain the regression results in detail, starting with the overall impact (F test), then looking at the

individual impacts (t test), and finally interpreting these results in the context of the company's management and strategy.

Table.4 Multiple Linear Regression Test

Model	R	R ²	Adjusted R ²	RMSE
M ₁	0.583	0.340	0.263	9.791

Source : Processed Data (2025)

The summary model yielded an adjusted R² value of 0.263, indicating that 26.3% of the variation in ROI is attributable to the CR and DER variables, while the remaining 73.7% is accounted for by external factors not included in this model.

Table.5 F Test Results (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	841.107	2	420.554	4.387	0.029
Residual	1629.530	17	95.855		
Total	2470.637	19			

Source : Processed Data (2025)

The F test was conducted to evaluate the simultaneous impact of the CR and DER variables on ROI. A significance value of 0.029 (< 0.05) denotes that the regression model is concurrently significant. CR and DER collectively influence ROI.

Table.6 Results of the t-test (partial)

Variable	Coefficin	Std. Error	t	Sig. (p)
Intercept	-8.822	8.414	-1.048	0.309
CR	4.026	2.257	1.784	0.092
DER	6.153	2.124	2.897	0.010

Source : Processed Data (2025)

The t-test results indicated that the CR variable yielded a p-value of 0.092 (> 0.05), signifying that it did not exert a significant effect on ROI. The positive coefficient signifies the direction of the relationship. Simultaneously, DER exhibits a p-value of 0.010 (< 0.05), indicating a substantial positive impact on ROI.

The results of multiple linear regression indicate that leverage (DER) exerts a more significant impact on ROI than liquidity (CR). Companies in the consumer products sector that manage debt well typically achieve superior returns on investment. Conversely, a substantial liquidity level does not inherently enhance ROI, particularly if current assets are not employed efficiently.

CONCLUSION

The research findings on consumer goods sector companies listed on the Indonesia Stock Exchange (IDX) for the 2021–2024 period lead to the following conclusions:

Liquidity (CR) and leverage (DER) significantly influence return on investment (ROI), evidenced by an F-test significance value of 0.029. Partially, leverage (DER) exerts a positive and significant influence on ROI, with a significance value of 0.010 (< 0.05). This finding

finding indicates that greater efficiency in managing leverage correlates with an increase in ROI. Liquidity (CR) has no substantial effect on ROI, as indicated by a significance value of 0.092 (> 0.05). Despite the positive coefficient direction, these results indicate that the availability of existing assets does not inherently influence the enhancement of return on investment. An adjusted R^2 score of 0.263 signifies that 26.3% of the variance in ROI is attributable to the CR and DER variables. The remaining 73.7% is affected by external factors not accounted for in this model, including operational efficiency, cost structure, and market conditions. Consequently, it may be inferred that the management of capital structures, especially leverage, enhances return on investment more significantly than merely sustaining the company's liquidity level.

Based on the findings that have been obtained, the author provides several suggestions that can be considered for any related party for future research: Companies in the consumer goods sector should pay more attention to efficient debt management (leverage). The findings of this study indicate that an appropriate financing structure, particularly one derived from productive debt, substantially enhances return on investment. This improvement not only boosts profitability but also fosters long-term sustainability for businesses. Consequently, organizations are encouraged to refine their financial strategies to leverage this insight effectively. Therefore, it is important for financial managers to conduct periodic evaluations of the company's equity and debt composition. While liquidity doesn't show a significant impact on ROI, it doesn't mean it's negligible. Companies still need to maintain a liquidity balance so that there is no shortage of cash for operations but also need to ensure that current assets can be used more productively. This study still has an adjusted R^2 value of 26.3%, which means that there is still a 73.7% variation in ROI that is influenced by other factors. Therefore, researchers are further advised to consider other variables such as operational efficiency, cost structure, activity ratio, or sales growth as additional independent variables to enrich the model. This research is limited to five companies in the consumer goods sector during the 2021–2024 period. It is hoped that the next research can be expanded both in terms of the number of samples and the time span, so that the results obtained are more general and representative of the dynamics of the industry. By comprehending the correlation between a company's financial structure and ROI performance, firms are anticipated to formulate a more cohesive and sustainable financial strategy during rivalry in the consumer goods sector.

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