GOLDEN RATIO OF DATA IN SUMMARY
VOLUME 6, ISSUE. 1 (2026)
Website: https://goldenratio.id/index.php/grdis

GOLDEN RATIO
ISSN [Online]: 2776-6411

DATA IN SUMMARY | ACCOUNTING, MANAGEMENT, BUSINESS, ECONOMICS

The Effect of Current Ratio on Return on Assets in Consumer Goods Companies Listed on the Indonesia Stock Exchange

U. Udayat[1], Martha Ayerza Esra[2], B. Brastoro[3]

[1] Department of Accounting, Sekolah Tinggi Ilmu Ekonomi Yasa Anggana, Garut, Indonesia.
Email: udayatse@gmail.com[1]
[2,3] Department of Management, Faculty of Economics and Business, Institut Bisnis dan Informatika Kwik Kian Gie, Jakarta, Indonesia. Email: ayerza.esra@gmail.com[2], brastoro@kwikkiangie.ac.id[3]

ARTICLE HISTORY

Received: November 04, 2025
Revised: December 16, 2025
Accepted: January 24, 2026

DOI
https://doi.org/10.52970/grdis.v6i1.1830

ABSTRACT
The consumer goods sector plays an important role in the Indonesian economy because it provides necessities with relatively fast cash turnover. In dynamic economic conditions, liquidity management can affect financial performance. This study aims to examine the effect of the Current Ratio (CR) on Return on Assets (ROA) in consumer goods companies listed on the Indonesia Stock Exchange (IDX). The study uses a quantitative, associative-causal approach. The population includes all consumer goods issuers on the IDX, with a purposive sample of 45 companies. Secondary data were obtained from annual financial reports for the 2018–2022 period on the IDX official website. The analysis uses simple linear regression. The results show that CR has a weak negative relationship with ROA, which is not statistically significant ($p = 0.060$), suggesting that higher liquidity is not always associated with higher profitability. The implications of these findings confirm that companies need to manage liquidity at an adequate level (not excessive) so that current assets do not become idle funds, while also increasing asset utilisation efficiency to optimise ROA.

Keywords: Current Ratio, Return on Assets, Liquidity, Profitability, Indonesia Stock Exchange.

I. Introduction

The consumer goods industry remains a primary choice for investors in Indonesia due to its resilience and potential for sustainable profit growth, and it relies heavily on the capital market for investment (Ryadi & Abundanti, 2023; Suhendry, 2021). Numerous studies have investigated the financial determinants of profitability, explicitly focusing on liquidity ratios, such as the Current Ratio, and their impact on Return on Assets in this sector (Rambe & Datuk, 2021). Empirical evidence suggests that the Current Ratio positively and significantly influences profitability, as consumer goods firms tend to invest their working capital in accounts receivable and inventory to ensure operational continuity and minimize idle cash (Sugiartini & Dewi, 2019). For instance, research conducted on consumer goods companies listed on the Indonesia Stock Exchange between 2013 and 2017 demonstrated that the ability to meet short-term obligations with current assets significantly enhances Return on Assets (Sugiartini & Dewi, 2019). Furthermore, high liquidity levels enable these companies to leverage their assets more effectively to generate earnings, as the efficient conversion of current assets into cash supports operational activities and reduces the opportunity cost of holding non-performing assets (Irman & Purwati, 2020; Sugiartini & Dewi, 2019). Conversely, other researchers have posited

ISSN [Online]: 2776-6411

that an excessive Current Ratio may reflect inefficient working capital management, potentially leading to a negative or insignificant impact on Return on Assets in the consumer goods sector (Irman & Purwati, 2020; Simbolon et al., 2022). For example, an investigation into the food and beverage sub-sector listed on the Indonesia Stock Exchange found that while liquidity is a critical component of financial stability, high Current Ratios do not necessarily translate into improved asset performance (Novianti et al., 2021; Rambe & Datuk, 2021). This finding is corroborated by Panigrahi and Joshi's research, which indicates that firm liquidity does not impact profitability when current assets are not utilized to their full potential to generate revenues (Simbolon et al., 2022). Despite these conflicting perspectives on optimal liquidity levels, more recent studies focusing on the food and beverage industry, which constitutes a significant portion of the consumer goods sector, report that the Current Ratio maintains a significant positive effect on Return on Assets for firms listed on the Indonesia Stock Exchange (Irsan & Rambe, 2021). Specifically, previous findings indicate that the current ratio often exhibits an inverse relationship with firm performance, as evidenced by a significantly negative coefficient of -0.0344 at the 0.05 level, suggesting that excessive liquidity may signal idle funds rather than productive asset use in the food and beverage industry (Larasati & Purwanto, 2022). This phenomenon, where elevated liquidity levels correlate with diminished returns, supports the theoretical argument that holding excessive current assets may lead to inefficient resource allocation, as funds remain idle and non-productive rather than being invested in income-generating opportunities (Rambe & Datuk, 2021; Ryadi & Abundanti, 2023).

Amid the dynamics of the Indonesian economy, companies face pressure to maintain liquidity while remaining profitable. Liquidity ratios such as the Current Ratio (CR) are important because they indicate a company's ability to meet its short-term obligations (Widiasmara et al., 2022). However, excessively high liquidity may also indicate the placement of funds in less productive current assets, thereby potentially reducing asset utilisation efficiency and ultimately suppressing Return on Assets (ROA) as a profitability indicator (Wen, 2024). Several studies show that suboptimal liquidity management can impair asset performance and reduce ROA (Herdianti et al., 2023). Thus, the core question that needs to be answered is whether an increase in CR in consumer goods companies actually supports ROA, or rather reflects a liquidity-profitability trade-off. The selection of consumer goods companies listed on the Indonesia Stock Exchange (IDX) as research subjects was based on the sector's characteristics of serving the mass market, relatively fast production and distribution cycles, and high competition. These conditions make working capital management (cash, accounts receivable, and inventory) crucial for operational stability and asset efficiency. Furthermore, the use of IDX issuers enables the utilisation of standardised, verifiable financial data. Although many studies on liquidity and profitability have been conducted, empirical findings in the consumer goods sector in Indonesia are still inconsistent. Wen (2024) reports that CR does not have a significant effect on ROA, while Lubis and Affandy (2023) in the retail sector find a positive effect of liquidity on ROA. This difference confirms the existence of an empirical gap (research gap) and the need to retest with relevant samples and time periods.

This study focuses on the independent variable, Current Ratio, and the dependent variable, Return on Assets. Theoretically, a very high CR may indicate an accumulation of current assets—such as excess inventory or accounts receivable—so that assets are not used efficiently, leading to a decline in ROA. Conversely, an adequate CR supports smooth operations and can help companies generate more stable profits. Based on this concept, this study examines the direction and strength of the relationship between CR and ROA in consumer goods companies listed on the IDX. Thus, this study aims to determine the direction of CR's influence on ROA, assess the extent to which ROA variation can be explained by CR, and develop relevant managerial implications. The novelty of this study lies in its more specific focus on consumer goods companies listed on the IDX for the period 2018–2022, and in a sample of 45 companies, which is expected to empirically contribute to the liquidity–profitability literature and provide input for management and investors in financial decision-making.

GOLDEN RATIO
ISSN [Online]: 2776-6411

II. Literature Review and Hypothesis Development

2.1. Current Ratio (CR)

is a fundamental liquidity metric that assesses a company's capacity to meet its short-term obligations using its short-term assets, including cash and receivables (Daviesi & Utam, 2025), serving as a proxy for evaluating the firm's short-term financial health. While, in theory, a higher current ratio implies greater liquidity and financial safety, empirical research on Indonesian listed companies presents conflicting evidence on its efficiency, with some studies indicating that maintaining excessive current assets may lead to underutilization of funds and hurt profit growth. In contrast, others suggest that a specific increase in liquidity can significantly enhance the ability to generate returns from assets by reducing insolvency risks and supporting leverage strategies (Rahmaita & Nini, 2021; Syahputri et al., 2022; Vensca et al., 2024). In the food and beverage industry, research indicates that the current ratio significantly reduces profit growth (Vensca et al., 2024). Conversely, broader analyses of financial ratios often use the Current Ratio as a proxy to measure the ease of debt repayment, yet caution that an excessively high ratio may indicate idle cash, which can reduce Return on Assets (Vensca et al., 2024). Return on Assets is a critical profitability ratio that measures the efficiency with which a company uses its total assets to generate net income. In the consumer goods sector, it reflects how effectively operational resources are managed to yield earnings (Marbun et al., 2024). However, the relationship between liquidity and profitability is complex, as evidenced by research indicating that the Current Ratio does not significantly affect Return on Assets due to the potential for idle funds when current assets are too high (Hantono et al., 2019; Melani et al., 2019). This trade-off is further supported by trade-off theory, which posits that high returns on current assets are associated with higher risk, and, conversely, greater liquidity can reduce both risk and profitability because funds are limited for productive investment activities (Syafruddin et al., 2023). Subsequent empirical studies in the Indonesian manufacturing sector have elaborated on this trade-off, finding that the Current Ratio positively impacts profit growth, yet simultaneously noting that excessive holdings of current assets can result in inefficient resource allocation that hinders profitability (Ester et al., 2022; Karim et al., 2023; Vensca et al., 2024). The current ratio is a financial ratio that measures a company's ability to meet its short-term obligations with its current assets. According to Eljelly (2004), liquidity is an important factor in assessing a company's financial health. However, an excessively high liquidity ratio may indicate that funds are not being used productively. This aligns with Deloof's (2003) research, which confirms that efficient working capital management is significantly associated with a company's profitability. In the context of consumer goods companies, the Current Ratio is an important indicator because this sector has a fast cash cycle, high inventory levels, and relatively stable demand. However, excessive liquidity ratios can reduce asset utilisation efficiency and negatively impact profitability (Wen, 2024). Thus, CR is not only an indicator of the ability to meet short-term obligations, but also reflects the efficiency of current asset utilisation in generating profits.

2.2. Return on Assets (ROA)

is defined as a crucial measure of managerial efficiency, reflecting the ability of capital invested in total assets to generate net profits and providing a final assessment of the effectiveness of a company's management policies and decisions (Raharjo & Limakrisna, 2023; Rambe & Datuk, 2021). In the consumer goods sector, this metric is particularly sensitive to the balance between inventory, receivables, and cash, as these components must be optimized to ensure that asset utilization yields the highest possible returns without compromising operational readiness (Oktaviani et al., 2024). A high Return on Assets indicates superior efficiency in leveraging assets to generate profit, supported by findings that higher ROA is favorable for companies and is influenced by working capital management, where overly abundant working capital leads to idle funds and losses due to suboptimal fund utilization (Eryatna et al., 2021; Simbolon et al., 2022). Specifically within the consumer goods industry, a study analyzing the Indonesia Stock Exchange found that

ISSN [Online]: 2776-6411

the Current Ratio has a significant effect on Return on Assets, where a low ratio indicates insufficient liquid assets to meet short-term liabilities, potentially disrupting operations and reducing profitability. In contrast, an excessively high ratio reflects poor fund management, resulting in idle resources that may diminish the company's ability to generate profits (Husnah & Setiadi, 2020). Furthermore, this perspective is reinforced by empirical evidence from Indonesian manufacturing firms, which found that Current Ratio exerts a positive and significant influence on Return on Assets, a relationship supported by cost trade-off theory where high levels of working capital help companies avoid unnecessary costs and benefit from supplier discounts, thereby enhancing overall profitability (Pangestuti et al., 2021).

Despite these positive indications, other empirical studies on fast-moving consumer goods companies in Indonesia report that the Current Ratio does not significantly affect Return on Assets (Merry & Widjaja, 2023). However, the absence of an effect may be due to the possibility that liquidity fluctuations do not necessarily translate into changes in asset efficiency, as maintaining high liquidity may create opportunity costs by keeping funds unproductive rather than utilizing them to generate income (Oweis, 2020; Rahmawati et al., 2024). This conflicting evidence underscores the need for further empirical investigation into the specific dynamics of the consumer goods industry to determine whether liquidity acts as a stabilizer or a hindrance to asset performance. The Current Ratio, defined as the ratio of current assets to current liabilities, serves as a primary indicator of a company's ability to meet short-term obligations and reflects the liquidity position essential to funding daily operational activities in the consumer goods industry (Gunawan et al., 2022). Prior research indicates that an excessively high current ratio suggests the presence of idle funds, which may lead to underutilization of financial resources and consequently impair the company's capacity to generate returns on assets (Oktavia, 2022; Saragih, 2021). Conversely, a low current ratio may indicate potential difficulties in meeting immediate financial obligations, which can negatively impact investor perceptions of the company's stability and overall success (Marbun et al., 2024). Therefore, this study aims to re-examine this relationship by analyzing specific data from consumer goods companies listed on the Indonesia Stock Exchange to ascertain whether maintaining a higher current ratio contributes to improved Return on Assets through better solvency management or if it leads to diminished returns due to the inefficiency of idle assets, thereby providing updated empirical evidence on this debated financial relationship (Melani et al., 2019; Sinaga & Ane, 2021). Specifically, this investigation focuses on large industrial companies listed on the Indonesia Stock Exchange during 2015 to 2020 to determine the precise impact of liquidity ratios on a company's ability to use its assets efficiently to generate profits (Paramitha & Sucipto, 2024). Return on Assets (ROA) measures the extent to which a company effectively uses its assets to generate profits. Zaman and Singh (2024) explain that ROA is a measure of operational efficiency that shows management's ability to utilise all available resources. According to Rodriguez et al. (2021), this ratio is critical in assessing managerial ability and financial health because it reflects the rate of return on invested assets. Companies with high ROA indicate effective asset management and efficient operational strategies. In the consumer goods industry, ROA is often used by investors to assess a company's efficiency in converting assets into profits amid high competition and small profit margins (Widiasmara et al., 2022).

2.3. The Theoretical Relationship between Current Ratio and Return on Assets

Theoretically, the relationship between Current Ratio and ROA is explained by the concept of liquidity-profitability trade-off. A higher Current Ratio indicates better company liquidity, but it may also indicate that the company's current assets are not being used productively, thereby suppressing return on assets (Eljelly, 2004). Deloof (2003) found that companies that can balance liquidity and working capital efficiency achieve better profitability. The results of a meta-analysis by Rodriguez et al. (2021) also support the notion that excess liquidity tends to be negatively associated with profitability because current assets do not generate income directly. Thus, conceptually, a negative relationship is expected between the Current Ratio and ROA, where increased liquidity can reduce the efficiency of a company's assets.

ISSN [Online]: 2776-6411

2.4. Empirical Evidence in the Consumer Goods Sector in Indonesia

Several empirical studies have examined the effect of the Current Ratio on Return on Assets in consumer goods companies in Indonesia. Widiasmara et al. (2022) found that the Current Ratio did not have a significant effect on profitability as measured by ROA. Similar results were reported by Wen (2024), who studied consumer goods companies listed on the IDX by company size and found that CR had no significant effect on ROA. However, other studies, such as Lubis and Affandy (2023), in the retail sector found a positive and significant relationship between liquidity and profitability, indicating that the relationship between CR and ROA may differ across industries. These differing results indicate a research gap, underscoring the need for further research to re-examine the influence of CR on ROA in the consumer goods sector.

2.5. Hypothesis Development

2.5.1. The Relationship between Current Ratio and Return on Assets

Theoretically, the relationship between Current Ratio (CR) and Return on Assets (ROA) is explained by the liquidity–profitability trade-off. This theory states that any increase in liquidity (a company's ability to meet its short-term obligations) can lead to a decline in profitability if current assets are not optimally utilised (Eljelly, 2004). Deloof (2003) asserts that inefficient working capital management—reflected in high liquidity ratios such as the Current Ratio—can reduce a company's profitability because funds are tied up in unproductive assets such as cash or inventory. Conversely, companies with too low a liquidity level risk experiencing difficulties in meeting their short-term obligations, which can also put pressure on their profitability (Rodriguez et al., 2021). Empirical research supports a negative relationship between the Current Ratio and Return on Assets. Widiasmara et al. (2022) found that the Current Ratio has a negative but insignificant effect on ROA in Indonesian consumer goods companies. Similar results were reported by Wen (2024), who found that an increase in the Current Ratio tends to be followed by a decrease in the return on assets. However, the effect is not statistically significant. Thus, the higher a company's liquidity, the lower its asset utilisation efficiency in generating profits. This shows that excessive liquidity is not always followed by an increase in profitability (Lubis & Affandy, 2023).

H1: There is an adverse effect between the current ratio and return on assets in consumer goods companies listed on the Indonesia Stock Exchange.

III. Research Method

This study uses a quantitative, associative-causal approach to examine the relationship and direction of influence between the independent variable, Current Ratio (CR), and the dependent variable, Return on Assets (ROA), in consumer goods companies listed on the Indonesia Stock Exchange (IDX). A quantitative approach was used because the research relied on numerical measurements and hypothesis testing through statistical procedures (Sugiyono, 2021). The associative-causal method was chosen because the study sought to test theory-guided associations (liquidity–profitability trade-off) to determine whether changes in CR were associated with changes in ROA (Sekaran & Bougie, 2019). However, because the model used is simple regression, the relationship tested is conceptually causal (based on theory). However, it still allows for confounding variables that also affect ROA (e.g., leverage, company size, operational efficiency, or asset turnover) outside of CR.

ISSN [Online]: 2776-6411

3.1. Location, Observation Period, and Implementation Time

The study was conducted on consumer goods companies listed on the IDX by utilising financial reports published on the IDX official website (www.idx.co.id). The observation period was 2018–2022 (the period of the financial reports analysed). Data collection/download and dataset processing were carried out in 2025, the year of the study's implementation, to avoid conflict with the observation period of 2018–2022. The data used were secondary in the form of annual financial reports and/or audited financial reports. Secondary data were chosen because they are objective, verifiable, and reliable for quantitative analysis (Cooper & Schindler, 2014).

3.2. Population and Sampling Technique

The research population comprises all consumer goods companies listed on the IDX during the 2018–2022 period, totaling 60 companies according to the IDX sector classification (Indonesia Stock Exchange, 2023). The sample was selected using purposive sampling, which involves selecting samples based on criteria appropriate to the research objectives (Etikan et al., 2016). The sample inclusion criteria were:

1. Consumer goods companies that were consistently listed (not delisted) during 2018–2022;
2. Published complete annual financial reports for all years of observation (2018–2022);
3. Having data that allows for the consistent calculation of CR and ROA.

These criteria were used to ensure consistency of the analysis units and comparability of data between companies and over time, so that the sample represented the population of consumer goods issuers that met the data completeness requirements. Based on these criteria, 45 companies were selected as the sample.

3.3. Research Variables and Operational Definitions

The study uses two main variables: CR as the independent variable and ROA as the dependent variable. CR is calculated as the ratio of total current assets to total current liabilities, which reflects a company's ability to meet its short-term obligations. ROA is calculated as net profit divided by total assets and reflects a company's efficiency in generating profits from its managed assets. The operational formula used refers to standard ratio analysis practices and is consistent with empirical studies in the consumer goods sector on the IDX (Wen, 2024; Widiasmara et al., 2022).

3.4. Data Collection Procedures (Documentation) and Limitations

The data collection technique uses a documentation method by searching, downloading, recording, and copying data from financial reports published by the IDX. Johnston (2017) states that documentation is adequate for secondary data because it is efficient and allows for verification. However, the documentation method has limitations: (a) dependence on the completeness of published documents; (b) differences in the format of reports between companies; and (c) potential delays in the publication of documents. To mitigate this, the researcher cross-checked the annual reports and audited financial reports and ensured the consistency of the figures used for CR and ROA calculations.

3.5. Data Processing and Dataset Preparation Stage

To improve transparency, data processing was carried out through the following steps:

ISSN [Online]: 2776-6411

1. Identification of the list of BEI consumer goods issuers according to sector classification.
2. Downloading financial reports/annual reports for 2018–2022 from the IDX website.
3. Extraction of required financial statement items (current assets, current liabilities, net profit, total assets).
4. Calculation of CR and ROA for each company and each year of observation.
5. Cross-validate figures (e.g., match with report notes or financial summaries) to minimise input errors.
6. Data cleaning and compilation of the final dataset for analysis using SPSS.

3.6. Data Analysis Techniques

Analysis was conducted using IBM SPSS Statistics version 26. The analysis stages included descriptive statistics, classical assumption tests, Pearson correlation tests, and simple linear regression. Simple linear regression was used because the model involved only one independent variable. The regression equation used was:

$$ROA = a + b(CR) + e$$

Where a is the constant, b is the CR regression coefficient, and e is the error term. Significance testing was performed using the t-test to assess the significance of the b coefficient, as well as the coefficient of determination (R^2) to measure the contribution of CR in explaining the variation in ROA. Pallant (2020) states that simple linear regression is appropriate for testing the functional relationship between two variables in a quantitative context.

IV. Results and Discussion

4.1. Results

a. The Effect of Current Ratio on Return on Assets

Table 1. Correlation Test Results

Correlations			
		Current Ratio	**Return on Assets**
Current Ratio	Pearson Correlation	1	-,283
	Sig. (two-tailed)		.060
	N	45	45
Return on Assets	Pearson Correlation	-,283	1
	Sig. (two-tailed)	.060	
	N	45	45

The correlation analysis results show that a Pearson Correlation value of -0.283, with a significance of 0.060, indicates a weak, insignificant negative relationship between Current Ratio and Return on Assets in consumer goods manufacturing companies. This means that an increase in company liquidity, as reflected in a high Current Ratio, tends to be followed by a decline in profitability. However, the relationship is not statistically significant.

GOLDEN RATIO
ISSN [Online]: 2776-6411

b. Determination Test

Table 2. Determination Test Results

Model Summary				
Model	**R**	**R Square**	**Adjusted R-Square**	**Standard Error of the Estimate**
1	.283[a]	.080	0.058	7.05499
a. Predictors: (Constant), Current_Ratio				

The R-square value of 0.080 indicates that the Current Ratio explains 8% of the variation in Return on Assets. In comparison, the remaining 92 per cent is influenced by factors outside the model. This means the Current Ratio's influence on ROA is relatively weak and not a significant factor in determining a company's profitability.

c. Simple Linear Regression Test

Table 3. Linear Regression Test Results

Coefficients[a]						
Model		**Unstandardised Coefficients**		**Standardised Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	15,602	2,305		6,768	0,000
	Current Ratio	-1,548	,802	-283	-1,931	0.060
a. Dependent Variable: Return_on_Assets						

Based on the results of the linear regression test in Table 3, the following regression equation is obtained:

$$Y = a + b(X)$$
$$ROA = 15.602 - 1.548 \text{ (Current Ratio)}$$

The constant 15.602 indicates that if the Current Ratio is zero, the Return on Assets is 15.602 units. The Current Ratio regression coefficient of -1.548 indicates a negative relationship, meaning that every one-unit increase in the Current Ratio will decrease the Return on Assets by 1.548 units, assuming other variables remain constant. The significance value of 0.060, which is greater than 0.05, indicates that the effect of the Current Ratio on ROA is not statistically significant. Thus, despite the negative relationship, the Current Ratio has not been shown to affect the company's profitability significantly.

4.2. Discussion

The results of this study indicate that the Current Ratio has a negative but insignificant relationship with Return on Assets. This finding is in line with the liquidity–profitability trade-off theory proposed by Eljelly (2004), which holds that excessively high liquidity levels can reduce asset utilisation efficiency and decrease a company's ability to generate profits. Excess liquidity indicates that the company's funds are held as current assets, such as cash, accounts receivable, or inventory, which do not provide direct returns to the company (Rodriguez et al., 2021). In the consumer goods industry, companies often focus on the availability of goods and the stability of distribution to meet high market demand. This causes companies to maintain high liquidity levels to ensure smooth operations, but the result is reduced asset efficiency. These results also indicate that overly conservative liquidity management can hinder achieving optimal profitability. The findings of this

GOLDEN RATIO
ISSN [Online]: 2776-6411

study are consistent with those of Widiasmara et al. (2022) and Wen (2024), who found that the current ratio does not have a significant effect on ROA in Indonesian consumer sector companies. However, research by Lubis and Affandy (2023) in the retail sector found a positive relationship between liquidity and profitability, suggesting that the relationship between the two variables may differ across industries based on their characteristics and cost structures. Therefore, the results of this study reinforce the view that the effect of the Current Ratio on profitability is contextual and not universal, depending on the level of working capital management efficiency and the company's financial strategies. Overall, it can be concluded that although the relationship between the Current Ratio and Return on Assets is negative, as predicted by theory, the influence is still weak and not statistically significant in consumer goods companies listed on the IDX. This indicates that company profitability is more determined by factors such as operational efficiency, asset turnover, sales strategy, and management's ability to control production costs.

V. Conclusion

This study aims to determine the effect of the Current Ratio (CR) on Return on Assets (ROA) in consumer goods companies listed on the Indonesia Stock Exchange (IDX). Based on the analysis and discussion, the Current Ratio shows a negative but insignificant relationship with Return on Assets. This means that an increase in liquidity, as reflected in a high Current Ratio, does not automatically improve a company's profitability. On the contrary, excessively high liquidity may indicate that current assets are not being optimally utilised, thereby reducing asset utilisation efficiency. The results of this study show that liquidity levels are not the primary factor determining profitability in Indonesia's consumer goods industry. Company profitability is more influenced by factors such as operational efficiency, cost structure, and effective asset management. Thus, the research objective to determine the direction and strength of the influence of the Current Ratio on Return on Assets has been achieved, with the influence in accordance with the liquidity–profitability trade-off theory, although it is not statistically significant.

The results of this study reinforce the liquidity–profitability trade-off theory proposed by Eljelly (2004), namely that excessively high liquidity levels can reduce a company's ability to generate profits because funds are tied up in unproductive assets. This study also provides additional empirical evidence that the relationship between liquidity and profitability is negative and weak in the consumer goods industry sector, in line with the findings of Widiasmara et al. (2022) and Wen (2024). Thus, this study confirms that the theories of liquidity and profitability need to be understood contextually, in accordance with the characteristics of the industry sector being studied. In practical terms, the results of this study provide guidance for the management of consumer goods industry companies to balance liquidity and asset utilisation efficiency. Companies are advised not to focus solely on increasing the current ratio, but also to monitor the utilisation of current assets to avoid creating idle funds that can reduce the rate of return on investment. Furthermore, the results of this study can be considered by investors when assessing a company's financial performance, because a high liquidity ratio does not always reflect the ability to generate optimal profits.

This study has several limitations that need to be considered when interpreting the results. First, the study uses only one independent variable, the Current Ratio, so it cannot fully capture other factors that affect Return on Assets, such as capital structure, operational efficiency, or leverage levels. Second, the research data is limited to five years, namely 2018–2022, so the results may not fully reflect long-term economic changes or differences in industry cycles. Third, this study focuses only on the consumer goods sector on the IDX, so the results cannot be generalized to other sectors, such as heavy manufacturing, technology, or finance, which have different liquidity and profitability characteristics.

Based on the results and limitations of this study, several recommendations for further research are offered. First, future researchers are advised to include additional independent variables, such as the Debt-to-Equity Ratio (DER), Working Capital Turnover (WCT), or Inventory Turnover (IT), to explain variations in company profitability better. Second, future research could extend the observation period or compare several industrial sectors to obtain a more comprehensive picture of the relationship between liquidity and

GOLDEN RATIO
ISSN [Online]: 2776-6411

profitability. Third, future researchers are also advised to use a panel data regression approach to ensure analysis results are more robust and can capture differences in company characteristics over time. In addition, practitioners and financial managers are advised to implement a balanced liquidity management policy. Companies need to ensure that their current assets remain productive in supporting operational activities without sacrificing profitability. With efficient working capital management, companies can achieve optimal profitability even with adequate liquidity.

References

Cooper, D. R., & Schindler, P. S. (2014). Business Research Methods (12th ed.). McGraw-Hill Education.

Daviesi, S., & Utam, A. A. G. S. (2025). Unveiling the quantitative impact of capital structure on firm value: A study of manufacturers of food, produce companies in South Africa. Accounting, 11(3), 181. https://doi.org/10.5267/j.ac.2025.5.002

Deloof, M. (2003). Does working capital management affect the profitability of Belgian firms? Journal of Business Finance & Accounting, 30(3–4), 573–588. https://doi.org/10.1111/1468-5957.00008

Eljelly, A. M. A. (2004). Liquidity–profitability trade-off: An empirical investigation in an emerging market. International Journal of Commerce and Management, 14(2), 48–61. https://doi.org/10.1108/10569210480000179

Eryatna, E. N., Eltivia, N., & Handayawati, K. U. (2021). The Effect of Cash Turnover, Receivable Turnover, and Inventory Turnover Towards Profitability of Consumer Goods Companies in Indonesia. Advances in Economics, Business and Management Research/Advances in Economics, Business and Management Research. https://doi.org/10.2991/aebmr.k.210717.039

Ester, E., Toni, N., Teng, S. H., & Hutagalung, G. (2022). The Effect of Financial Ratio on Profit Growth with Company Value as a Moderating Variable in Automotive Companies and Components Listed on the Indonesia Stock Exchange. International Journal of Social Science Research and Review, 5(9), 242. https://doi.org/10.47814/ijssrr.v5i9.436

Etikan, I., Musa, S. A., & Alkassim, R. S. (2016). Comparison of convenience sampling and purposive sampling. American Journal of Theoretical and Applied Statistics, 5(1), 1–4. https://doi.org/10.11648/j.ajtas.20160501.11

Gunawan, R., Widiyanti, M., Malinda, S., & Adam, M. (2022). The Effect Of Current Ratio, Total Asset Turnover, Debt To Asset Ratio, And Debt To Equity Ratio On Return On Assets In Plantation Sub-Sector Companies Listed On The Indonesia Stock Exchange. International Journal of Economic Business Accounting Agriculture Management and Sharia Administration (IJEBAS), 2(1), 19. https://doi.org/10.54443/ijebas.v2i1.139

Hantono, H., Guci, S. T., Manalu, E. M. B., Hondro, N. A., Manihuruk, C. C., Angin, M. B. P.-, & Sinaga, D. C. (2019). Pengaruh Perputaran Kas, Perputaran Piutang, Perputaran Persediaan, Current Ratio, dan Debt to Equity Ratio, Total Assets Turn Over terhadap Profitabilitas. Owner, 3(1), 116. https://doi.org/10.33395/owner.v3i1.110

Herdianti, G., Murnila, N. D., & Malinda, S. (2023). Analysis of profit growth in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange. Gadjah Mada International Journal of Business, 20(1), 33–68.

Husnah, E., & Setiadi, I. (2020). Determinasi Profitabilitas Pada Perusahaan Manufaktur Sektor Barang Konsumsi. Journal of Accounting Science, 4(1), 81. https://doi.org/10.21070/jas.v4i1.412

Indonesia Stock Exchange. (2023). Financial and Annual Reports of Issuers Listed on the IDX. Jakarta: IDX. https://www.idx.co.id

Irman, M., & Purwati, A. A. (2020). Analysis On The Influence Of Current Ratio, Debt to Equity Ratio, and Total Asset Turnover on Return On Assets On The Automotive and Component Company That Has Been Registered In the Indonesian Stock Exchange from 2011 to 2017. International Journal of Economics Development Research (IJEDR), 1(1), 36. https://doi.org/10.37385/ijedr.v1i1.26

Irsan, M., & Rambe, M. F. (2021). Return On Asset : Current Ratio And Debt To Asset Ratio Companies In The Indonesian Stock Exchange. International Journal of Economic Technology and Social Sciences (Injects), 2(1), 289. https://doi.org/10.53695/injects.v2i1.304

Johnston, M. P. (2017). Secondary data analysis: A method whose time has come. Qualitative and Quantitative Methods in Libraries, 3(3), 619–626.

Karim, A., Widyarti, E. T., & Santoso, A. (2023). Effect of current ratio, total asset turnover, and size on profitability: Evidence from Indonesian manufacturing companies. Diponegoro International Journal

of Business, 6(1), 57. https://doi.org/10.14710/dijb.6.1.2023.57-63
Larasati, C. I., & Purwanto, P. (2022). How Financial Ratios and Firm Size Affect Profitability: Evidence from the Food and Beverages Industry in Indonesia. The Winners, 23(1), 43. https://doi.org/10.21512/tw.v23i1.7099
Lubis, A., & Affandy, L. (2023). Liquidity and profitability of retail companies: Evidence from Indonesia. International Journal of Economics, Business and Management Research, 7(8), 45–56. https://doi.org/10.47747/ijebmr.v7i8.1084
Marbun, N. R., Ginting, Y. A. br, Munthe, H., & Siregar, K. H. (2024). Influence of Return On Assets (ROA), Debt To Equity Ratio (DER), Current Ratio (CR), Debt To Asset Ratio (DAR) On Stock Returns In Food And Beverage Sector Manufacturing Companies Listed On The Indonesia Stock Exchange For The Period 2018 - 2022. Jurnal Ekonomi Bisnis & Entrepreneurship, 18(1), 112. https://doi.org/10.55208/jebe.v18i1.533
Melani, I., Suroso, S., & Musqori, N. (2019). The Effect of Capital Adequacy and Liquidity on Profitability in Food and Beverage Sub-Sector Manufacturing Companies Listed on the Indonesia Stock Exchange (ISE) Period 2015-2018. Ilomata International Journal of Management, 1(1), 1. https://doi.org/10.52728/ijjm.v1i1.27
Merry, A. J., & Widjaja, I. (2023). Pengaruh manajemen modal kerja terhadap profitabilitas perusahaan fast moving consumer goods di Indonesia dari tahun 2016-2021. Jurnal Manajemen Bisnis Dan Kewirausahaan, 7(3), 622. https://doi.org/10.24912/jmbk.v7i3.23874
Novianti, D. R., Alie, J., & Purnamasari, E. D. (2021). Pengaruh Current Ratio dan Quick Ratio Terhadap Return On Asset. Jurnal Ilmu Sosial Manajemen Akuntansi Dan Bisnis, 2(4), 66. https://doi.org/10.47747/jismab.v2i4.497
Oktavia, V. (2022). The Impact of Current Ratio, Return On Assets, and Company Size on Share Prices of Coal Companies Listed on the Indonesia Stock Exchange in 2016 - 2020. DergiPark (Istanbul University). https://dergipark.org.tr/tr/pub/usbed/issue/69168/1074227
Oktaviani, N. A., Nurhayati, N., Safitri, R. D., Haryadi, D., & Wahyudi, W. (2024). Current ratio, return on assets, and company size to capital structure in manufacturing companies in the food and beverage subsector. International Journal of Applied Finance and Business Studies, 11(4), 860. https://doi.org/10.35335/ijafibs.v11i4.237
Oweis, K. A. (2020). The impact of working capital management on the firm's profitability. International Journal of Advanced And Applied Sciences, 7(11), 67. https://doi.org/10.21833/ijaas.2020.11.007
Pallant, J. (2020). SPSS Survival Manual: A Step-by-Step Guide to Data Analysis using IBM SPSS (7th ed.). Routledge.
Pangestuti, I. R. D., Pridarsanti, K. Y., & Robiyanto, R. (2021). Location, Working Capital, Corporate Governance, and Profitability: The Case of Indonesian Manufacturing Firms. International Journal of Business and Society, 22(2), 881. https://doi.org/10.33736/ijbs.3765.2021
Paramitha, D., & Sucipto, S. (2024). Determination Of Return On Assets: Analysis Of Solvency Ratio And Liquidity Ratio. Jurnal AKSI (Akuntansi Dan Sistem Informasi), 9(2). https://doi.org/10.32486/aksi.v9i2.762
Raharjo, D. S., & Limakrisna, N. (2023). LQ45 Company Profitability on the IDX for the 2021 Period Through the Effect of the Current Ratio and Receivable Turnover. International Journal of Professional Business Review, 8(7). https://doi.org/10.26668/businessreview/2023.v8i7.2931
Rahmaita, R., & Nini, N. (2021). Pengaruh Perputaran Modal Kerja, Likuiditas Dan Leverage Terhadap Profitabilitas (Studi Kasus Pada Sub Sektor Makanan Dan Minuman Yang Terdaftar Di Bursa Efek Indonesia Periode 2014-2018). Menara Ilmu, 15(1). https://doi.org/10.31869/mi.v15i1.2487
Rahmawati, M., Anggraeni, P. R., Maulan, S. T., & Haryadi, D. (2024). Working capital and liquidity to the profitability of manufacturing companies listed on the IDX in 2019-2022. International Journal of Applied Finance and Business Studies, 11(4), 740. https://doi.org/10.35335/ijafibs.v11i4.215
Rambe, I., & Datuk, B. (2021). Return On Assets: Debt To Asset Ratio And Current Ratio In Companies Listed On The Indonesia Stock Exchange. International Journal of Economic Technology and Social Sciences (Injects), 2(1), 274. https://doi.org/10.53695/injects.v2i1.391
Rodríguez, V., Aguilar, H., Delgado, F., Cruz, L., Benavides, A., Salazar, C., & Escobar, B. (2021). Meta-study on the relationship between profitability and liquidity of enterprises. International Journal of Management and Economics, 57(2), 202–220. https://doi.org/10.1007/s40622-021-00280-y
Ryadi, T., & Abundanti, N. (2023). Pengaruh Rasio Keuangan Terhadap Pertumbuhan Laba Pada Industri Consumer Goods Di Bursa Efek Indonesia. E-Jurnal Manajemen Universitas Udayana, 12(8), 865. https://doi.org/10.24843/ejmunud.2023.v12.i08.p06

Saragih, J. L. (2021). Pengaruh Current Ratio, Total Assets Turn Over, Dan Debt To Assets Ratio Terhadap Return On Assets Pada Perusahaan Makanan Dan Minuman Yang Terdaftar Di Bursa Efek Indonesia. Jurnal Riset Akuntansi & Keuangan, 49. https://doi.org/10.54367/jrak.v7i1.1163

Sekaran, U., & Bougie, R. (2019). Research Methods for Business: A Skill-Building Approach (8th ed.). Wiley.

Simbolon, K. V., Salindeho, J. K., & Karinda, A. F. (2022). Working Capital, Firm Size, Solvability, And Liquidity Towards Profitability Of The Consumer Goods Industry. Klabat Journal of Management, 3(1), 34. https://doi.org/10.60090/kjm.v3i1.808.34-45

Sinaga, E. R., & Ane, L. (2021). Pengaruh Sales Growth, Perputaran Kas Dan Likuiditas Terhadap Profitabilitas Perusahaan (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek IndonesiaTahun 2017-2019). NIAGAWAN, 10(3), 272. https://doi.org/10.24114/niaga.v10i3.28184

Sugiartini, N. K., & Dewi, S. K. S. (2019). Pengaruh Likuiditas Dan Modal Kerja Terhadap Profitabilitas Pada Perusahaan Industri Barang Kosumsi. E-Jurnal Manajemen Universitas Udayana, 8(9), 5401. https://doi.org/10.24843/ejmunud.2019.v08.i09.p03

Sugiartini, N. K., & Dewi, S. K. S. (2019). Pengaruh Likuiditas Dan Modal Kerja Terhadap Profitabilitas Pada Perusahaan Industri Barang Kosumsi. E-Jurnal Manajemen Universitas Udayana, 8(9), 5401. https://doi.org/10.24843/ejmunud.2019.v08.i09.p03

Sugiyono. (2021). Quantitative, Qualitative, and R&D Research Methods. Bandung: Alfabeta.

Suhendry, W. (2021). Effect of Debt to Equity Ratio and Current Ratio on Company Value with Return on Assets as Intervening Variable in Consumer Goods Industrial Companies Listed on the Indonesia Stock Exchange for the 2015–2018 Period. Journal of Economics, Finance and Management Studies, 4(8). https://doi.org/10.47191/jefms/v4-i8-22

Syafruddin, M., Weinanto, C. J., & Haryani, H. (2023). Evidence of Financial Ratio Impact on Non-Financial Firm Profitability. Accounting Analysis Journal, 12(2), 102. https://doi.org/10.15294/aaj.v12i2.70466

Syahputri, A., Putra, H. S., Julyanthry, J., Sari, E. P., & Putri, D. E. (2022). Effect of Current Ratio and Debt to Asset Ratio on Return On Assets Moderated by Firm Size. International Journal of Economics, Business and Accounting Research (IJEBAR), 6(1), 191. https://doi.org/10.29040/ijebar.v6i1.4418

Vensca, S. N., Mas'adah, N., & Astuti, S. Y. (2024). Can Financial Ratios Affect Profit Growth In Food And Beverage Companies? AKSY Jurnal Ilmu Akuntansi Dan Bisnis Syariah, 6(2), 270. https://doi.org/10.15575/aksy.v6i2.34721

Wen, C. (2024). The influence of current ratio, debt-to-equity ratio, working capital turnover, and inventory turnover on return on assets, based on firm size, for consumer goods industry companies listed on the Indonesia Stock Exchange, 2018–2022. International Journal of Research and Analytical Reviews, 11(2), 807–818. https://doi.org/10.37278/ijrar24b2763

Widiasmara, A., Kusherawati, A., Cahyaningati, R., & Paramita, R. W. (2022). The effect of current ratio, debt to equity ratio, return on assets, and net profit margin on profit growth. Assets: Scientific Journal of Accounting, Finance and Taxation, 6(1), 8–15. https://doi.org/10.30741/assets.v6i1.831

Yulita, N., & co-authors. (2023/2024). Improving firm value: The role of profitability–liquidity trade-off (BEI Manufacturing 2016–2023). International Journal of Accounting, Finance and Economics, **?**(1), https://doi.org/10.55217/ijafae.2112

Zaman, M., & Singh, R. (2024). Defining return on assets (ROA) in empirical corporate finance research: A critical review. Zenodo. https://doi.org/10.5281/zenodo.10901886