The Effect Of Liquidity And Solvency On Profitability In Pt. Kalbe Farma Tbk

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Keywords

CR, DER, GPM

Abstract. The research objective was to determine the effect of liquidity and solvency on profitability at PT. Kalbe Pharmacy. The data used in this study is secondary data, namely time sequence data or time series data using the documentation method, namely collecting data from previous records. Data analysis used in this research is quantitative analysis and the analysis technique used is multiple regression analysis technique. The variables used in this study are liquidity (CR) and solvency (DER) as independent variables and profitability (GPM) as the dependent variable. Based on the results of the analysis of liquidity (CR) and solvency (DER) have a significant influence on the profitability (GPM) of PT Kalbe Pharma Tbk.

1. INTRODUCTION

Profitability is closely related to the management of the company's assets and therefore depends on the company's liquidity. It states that liquidity is related to the problem of a company's ability to meet its financial obligations that must be met immediately (Thaib & Dewantoro, 2017). Profitability is a group of indices that show a combination of the impact of liquidity, wealth management and debt on operating results (Awulle et al., 2018) . The ultimate goal that a company wants to achieve is to obtain maximum profit or profit in addition to other things. Profitability is which reflects the end result of all financial policies and operational decisions (Nugroho & Arifin, 2022). By obtaining maximum profits as targeted, companies can do a lot for the welfare of owners, employees, as well as improve product quality and make new investments. Therefore, in practice, company management is required to be able to meet predetermined targets. must be achieved as expected and does not mean a profit analysis. To measure the level of profit then (Yanto, 2018).

Liquidity is the index showing the ratio of the company's liquid assets and working capital to its current liabilities (Masyitah et al., 2022). Liquidity shows the company's ability to fund and meet short-term obligations when they are billed (Hidayat, 2019). One speaks of liquidity when the company's solvency is large and able to meet all its obligations (Rianisari et al., 2018). When a company encounters financial difficulties, the company begins paying of bills (payables), bank loans, and other obligations that increase current liabilities (Idris, 2021). When current liabilities are growing faster than current assets, the current ratio is going down, and that's a sign of trouble (Dewi, 2015). Liquidity is an index that represents the ratio of the company's cash and cash equivalents to its current liabilities (Nofrita, 2013). Liquidity shows the company's ability to fund and meet short-term obligations when they are billed. A company is considered liquid when the company's solvency is large and able to meet all of its obligations (Azmi, 2014). When a company encounters financial difficulties, the company begins to be slow in paying off bills (payables), bank loans, and other liabilities, leading to an increase in current liabilities (Rakasiwi et al., 2017). If current liabilities are growing faster than current assets, the current ratio is going down, and that's a sign of trouble (Novandalina & Marnoto, 2022).

PT Kalbe Pharma,Tbk is a company specializing in the pharmaceutical industry and health-related products. This company was incorporated on September 10, 1966 with its registered office in Jakarta. The head office is located in the KALBE Building, Jl. let Jend.Suprapto Kav.4, Cempaka Putih, Jakarta 10510. The increasing number of pharmaceutical companies has created a tougher competitive environment. There are currently more than 200 pharmaceutical companies in Indonesia (Rianisari et al., 2018). As a result, pharmaceutical companies compete for expansion and advancement. market share abroad (Dewi & Rahyuda, 2020). One of those few is PT Kalbe Pharma,Tbk, who has established his company in 10 countries. In conducting its business to achieve its desired profitability, a company evaluates the performance of its business at all times. The company needs liquidity and solvency metrics to measure whether the financial metrics match profitability and solvency. PT Kalbe Pharma,Tbk has decreased over the period 2021-2022, showing that PT.Kalbe Pharma, Tbk degree of debt utilization has decreased. And the higher the solvency ratio, the greater the financial risk. The point is the risk of default because too much is funded by debt. This reduces profitability as a lot of cash is used to pay off debt.Based on the background description, the researcher is interested in conducting a study titled “Impact of Liquidity and Solvency on Profitability” at PT. Kalbe Pharma,Tbk, which is listed on the Indonesian Stock Exchange.

2. METHOD

The type of research used is associative research, research conducted to determine the relationship between two or more variables. The data used in this research is secondary data, namely time series or time series data using the documentation method, namely collecting data from previous records. The data used is in the form of annual financial reports of PT. Kalbe Pharma,Tbk, Data analysis used in this research is quantitative analysis using multiple linear regression analysis and several statistical tests.

3. RESULTS AND DISCUSSION

To find out whether leverage and return on investment have a significant impact on PT. Kalbe Pharma,Tbk., analysis was performed using F-test and t-test. Based on the results of the F-test, it can be seen that the value of Fcount for liquidity (CR) is 112.751, while Ftable with a significant level = 0.05 and degrees of freedom (df)= 10-2 =8 then Ftable = 4.46 in this study Fcount (112.751) > Ftable (4.46), while the significant value of liquidity (CR) and solvency (DER) on profitability (GPM) is 0.000, which makes Fcount(0.000) < a (0.05) means that Ha is accepted, which means that there is a significant impact between liquidity (CR) and solvency (DER) at the same time on profitability (GPM).

Based on the results of the t-test, it can be seen that the liquidity tcount (CR) is -10.037 while ttabel with a significant level = 0.05 and df= 10-3=7 maka ttabel=df, o 05 (7) 2.364. Thus the value of tcount (12.452) > ttable (2.364) or the significant value of liquidity (CR) to profitability (GPM) is 0.000, meaning that sig (0.000) < (0.05) means that Ha is accepted, which means that there is a partially significant impact of liquidity (CR) on profitability (GPM).

In turn, tccount solvency (DER) of -0.907 of 0.05 means that Ha was accepted, which means there is solvency (DER) partially negative affecting on profitability (GPM). In turn, analyzing the solvency ratio of PT. Kalbe Pharma,Tbk, an increase in solvency (DER) will have a negative impact on profitability (GPM). Therefore, PT. Kalbe Pharma,Tbk should increase solvency (DER) so on reduce profitability (GPM). PT. Kalbe Pharma,Tbk needs to increase its profitability (GPM) because if profitability (GPM) will give a positive review as it can increase profit or make profit on its own capital.

The Effect of Liquidity and Solvability on Profitability

Simultaneous tests were carried out to determine the significant effect between liquidity (CR) and solvency (DER) on profitability (GPM) at PT Kalbe Pharma,Tbk. It can be seen that the Fcount value for liquidity (CR) is 112.751 while Ftable with a significant level = 0.05 and degrees of freedom (df)= 10-2=8 then F table = 4.46 in this study Fcount (112.751) > Ftable (4.46), while the significant value of liquidity (CR) and solvency (DER) on profitability (GPM) is 0.000 which means significant Fcount (0.000) < (0.05) means that Ha is accepted which means that there is a significant effect between liquidity (CR) and solvency (DER) simultaneously on profitability (GPM) at PT Kalbe

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Pharma,Tbk. Impact on Profitability: While liquidity ratios focus on a company's short-term financial health, they indirectly influence profitability. If a company has a higher current ratio (current assets divided by current liabilities) or quick ratio (more stringent measure that excludes inventory), it indicates that the company has sufficient short-term assets to cover its short-term liabilities. This can enhance confidence among creditors and suppliers, leading to improved credit terms and lower borrowing costs. As a result, the company might have more flexibility to invest in growth opportunities, research, or other activities that can drive profitability. Impact on Profitability. Solvency ratios provide insights into a company's ability to repay its long-term debt obligations. A lower debt-to-equity ratio (total debt divided by total equity) generally indicates that the company relies less on debt financing and is more stable in the long term. This can lead to lower interest expenses and financial risks. With lower financial risks, the company might be better positioned to weather economic downturns and invest in projects that can drive profitability.

It's important to note that both liquidity and solvency ratios are part of a broader financial picture, and their impact on profitability can vary depending on the industry, business model, and overall financial strategy of the company. While these ratios provide insights into a company's financial health, they don't operate in isolation; they interact with other financial metrics and factors. Previous research conducted by Andawina (2013) influenced the liquidity ratio and solvency ratio on profitability in plastic and packaging companies listed on the Indonesia Stock Exchange.

The Effect of Liquidity (CR) on Profitability (GPM)

Based on the tests carried out, it can be seen that the thimng value for liquidity (CR) is -10.037 while ttabel with a significant level = 0.05 and df = 10-3 = 7 maka tabel df = o,o5(7) = 2.364. With this, the tcount value is (12.452) > ttable (2.364) or the significant value of liquidity (CR) on profitability (GPM) is 0.000, which means sig (0.000) < (0.05) means that Ha is accepted, which means there is an influence liquidity (CR) which is partially significant to profitability (GPM) at PT Kalbe Pharma,Tbk. liquidity and profitability are two important financial metrics that provide insights into a company's financial health and performance. They are closely related but represent different aspects of a business's operations.

Let's explore the effects of liquidity on profitability and how they interact: Liquidity and profitability are interconnected, and the relationship between them can have significant implications for a company's financial stability and growth: (1) Operational Continuity. Adequate liquidity ensures that a company can cover its immediate financial needs, such as paying suppliers, employees, and other short-term obligations. If a company lacks liquidity, it might struggle to operate smoothly, impacting its ability to generate profits. (2) Trade-offs. Maintaining high liquidity often requires holding more cash or easily marketable assets, which might earn relatively low returns compared to more lucrative investments. Therefore, while high liquidity can ensure stability, it might come at the cost of lower profitability due to missed investment opportunities. (3) Investment and Growth. Liquidity can facilitate strategic investments, acquisitions, and expansion opportunities. These initiatives can contribute to long-term profitability, but they might temporarily reduce short-term profitability due to initial costs and investments. (4) Risk Mitigation. Companies with strong liquidity are better positioned to weather economic downturns or industry-specific challenges. Being able to survive tough times can lead to better long-term profitability. (5) Cost Management. Efficient cash flow and working capital management can improve both liquidity and profitability. Optimized inventory levels, timely collection of receivables, and careful management of payables can enhance liquidity while positively impacting profitability. (6) Creditworthiness. Maintaining good liquidity signals to creditors and investors that the company is financially stable and capable of meeting its obligations. This can lead to lower borrowing costs and increased investor confidence.

In summary, liquidity and profitability are intertwined aspects of a company's financial health. While high liquidity can ensure short-term stability and operational continuity, it might impact short-term profitability due to lower returns on highly liquid assets. Striking the right balance between liquidity and profitability is essential for sustainable growth and financial well-being. The similarity

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with previous research conducted by Herdian (2001), with had effect of liquidity (CR) on profitability (GPM) in studies of manufacturing companies listed on the Indonesian stock exchange

The Effect of Solvability (DER) on Profitability (GMP)

Count Solvability (DER) of -0.907 < ttable 2.364 and a significant value of solvency on profitability (GPM) of 0.409 > than 0.05 means that Ha is rejected, which means that there is negative effect of solvency (DER) partially on profitability (GPM) at PT Kalbe Pharma,Tbk. The relationship between solvability and profitability is a crucial aspect of financial management and analysis for businesses. Solvability refers to a company's ability to meet its long-term financial obligations, particularly its debt obligations. Profitability, on the other hand, measures how efficiently a company generates profits from its operations.

The effect of solvability on profitability can be summarized as follows: (1) Risk and Cost of Debt. Companies with high solvability are better positioned to access debt financing at favorable terms. They can negotiate lower interest rates and more flexible repayment terms. This can positively impact profitability by reducing the cost of borrowing. Conversely, companies with poor solvability might face higher interest rates and stricter terms, leading to increased interest expenses that could erode profitability. (2) Investor Confidence. High solvability often signals stability and financial strength to investors and creditors. This can lead to increased investor confidence, a higher stock price, and a reduced cost of equity financing. Improved investor sentiment can positively impact profitability by attracting investment and increasing stock valuation. (3) Strategic Flexibility. Companies with strong solvability have more flexibility in making strategic decisions. They can invest in growth opportunities, undertake mergers and acquisitions, and weather economic downturns more effectively. This strategic flexibility can contribute to long-term profitability. (4) Credit Rating. A strong solvability position is likely to result in a higher credit rating from credit agencies. A higher credit rating not only reduces borrowing costs but also enhances a company's reputation in the market. This can lead to increased business opportunities and better terms with suppliers and customers, indirectly influencing profitability. (5) Cash Flow Stability. Solvability is closely tied to a company's ability to generate steady cash flows to cover debt payments. A well-managed debt structure with manageable payment schedules ensures that the company's cash flow isn't strained, which in turn contributes to maintaining profitability. (6) Operating Efficiency. Companies with a healthy solvability position can focus more on their core operations rather than diverting resources to manage immediate financial crises. This can lead to improved operating efficiency and better allocation of resources, ultimately impacting profitability positively. (7) Liquidity Management. Maintaining solvability often requires careful liquidity management. Companies that effectively manage their liquidity by balancing short-term and long-term obligations are better equipped to seize opportunities and mitigate risks, contributing to sustained profitability.

It's important to note that while a strong solvability position can enhance profitability, it's not the sole determinant. Other factors such as operational efficiency, market demand, competition, and industry trends also play significant roles in determining a company's profitability. Striking the right balance between solvability and profitability is crucial for maintaining financial health and sustainable growth.The similarities with previous research conducted by Herdian (2001) with the title effect of financial leverage on profitability studies on manufacturing companies listed on the Indonesian stock exchange

4. CONCLUSION

Based on the results of the Ftest simultaneously it shows that there is a significant influence between liquidity (CR) and solvency (DER) on profitability at PT Kalbe Farma, Tbk which is listed on the Indonesia Stock Exchange. Based on the partial results of the ttest, it shows that there is a significant effect of liquidity (CR) and negative effect of solvency (DER) on profitability (GPM) at PT Kalbe Pharma,Tbk which is listed on the Indonesia Stock Exchange.

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