The Effect of Liquidity Ratio on Roa (Return on Assets) at PT Unilever Indonesia Tbk 2020-2024

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This study aims to determine and analyze the effect of the Liquidity Ratio proxied by the Current Ratio (CR) on Profitability proxied by Return On Assets (ROA) at PT Unilever Indonesia Tbk for the 2020–2024 period. The research method used is a quantitative method with descriptive and causal approaches. The data used is secondary data in the form of audited annual financial statements obtained from the Indonesia Stock Exchange (IDX). Data analysis techniques applied include descriptive statistical analysis, classical assumption tests (normality test, autocorrelation test, and heteroskedasticity test), simple linear regression analysis, hypothesis testing (t-test), and coefficient of determination analysis (R2) using SPSS software. The results showed that during the 2020–2024 period, PT Unilever Indonesia Tbk experienced a consistent downward trend in both CR and ROA values. Based on the results of hypothesis testing, the t-count value of 9.539 is greater than the t-table (3.182) with a significance level of 0.002<0.05. This empirically proves that the Liquidity Ratio (Current Ratio) has a positive and partially significant effect on Return On Assets (ROA). The result of the coefficient of determination analysis (R2) shows a value of 0.968, which indicates that 96.8% of the fluctuation variance in ROA at PT Unilever Indonesia Tbk is influenced by the Current Ratio, while the remaining 3.2% is explained by other variables outside this research model.
Keywords: Liquidity Ratio, Current Ratio (CR), Profitability, Return On Assets (ROA), PT Unilever Indonesia Tbk

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1. Introduction

In the era of globalization, companies are required to manage resources effectively and efficiently to generate profits while maintaining business continuity. One key indicator for assessing financial performance is the profitability ratio, specifically Return on Assets (ROA), which demonstrates a company's ability to generate profits through asset utilization. According to Brigham and Houston (2012:20), ROA is an important profitability ratio because it reflects operational efficiency and management's ability to optimize company assets to generate profits. (Return on Assets measures the overall effectiveness of management in generating profits with its available assets.) The higher the ROA, the better the company's ability to utilize its assets, making this indicator a basis for evaluation by investors, creditors, and management.

Profitability is influenced by various factors, one of which is liquidity. According to Gitman and Zutter (2015:10), liquidity describes a company's ability to meet short-term obligations without disrupting operational activities. (Liquidity refers to the ability of a firm to meet its short-term obligations as they come due.) Liquidity ratios include the current ratio, quick ratio, and cash ratio. Excessively high liquidity levels can indicate the presence of current assets that are not being utilized productively, while excessively low liquidity increases the risk of difficulty meeting short-term obligations. Brigham and Ehrhardt (2013:10) state that companies with good liquidity tend to have more stable performance because they are able to meet short-term obligations without sacrificing long-term investments. However, excessive liquidity can

also reduce profitability due to idle funds. This condition indicates a trade-off between liquidity and profitability, requiring companies to maintain a balance between the two.

This study uses PT Unilever Indonesia Tbk as its object because it is a Fast Moving Consumer Goods (FMCG) company founded in 1933 and listed on the Indonesia Stock Exchange since 1982. As a market leader, the company has a broad product portfolio, relatively stable financial performance, and transparent financial reports. This company was selected based on its reputation as a market leader, the decline in current assets and net income during the 2020–2024 period, and the availability of audited financial reports, making it suitable as a source of research data.

Financial data shows that PT Unilever Indonesia Tbk's current assets decreased from IDR 8,828 billion in 2020 to IDR 5,281 billion in 2024, while current liabilities remained high, from IDR 13,358 billion to IDR 11,830 billion. At the same time, net profit decreased from IDR 7,164 billion to IDR 3,369 billion, while total assets decreased from IDR 20,535 billion to IDR 16,046 billion. The larger decrease in profit compared to the decrease in total assets indicates a weakening of asset productivity in generating profits and indicates that the decline in liquidity occurs simultaneously with the decline in ROA.

As a public company, PT Unilever Indonesia Tbk is required to maintain a balance between liquidity and profitability to remain attractive to investors. Changes in the liquidity ratio are influenced by cash management policies, receivables, inventory, and short-term liabilities, while changes in ROA are influenced by operational efficiency, sales levels, and asset utilization effectiveness. Previous studies have shown mixed results, with some stating that liquidity has a positive effect on profitability because it supports operational smoothness, while others found a negative effect due to excess current assets, which reduces asset utilization efficiency. Therefore, this study aims to empirically analyze the effect of the liquidity ratio on ROA at PT Unilever Indonesia Tbk for the 2020–2024 period to determine whether liquidity levels can increase or decrease the company's profitability. Based on the above background, this study aims to: (1) Examine and analyze the effect of the Liquidity Ratio on ROA (Return on Assets) at PT Unilever Indonesia Tbk for the 2020–2024 period.

Hypothesis

According to Elvera (2021: 35), a hypothesis is "a statement that is an assumption or a temporary answer to a research question that must be verified through data collection and analysis."

Based on the theoretical foundation, previous research results, and the conceptual framework above, the author hypothesizes that there is a positive and significant effect between the liquidity ratio and Return on Assets (ROA) at PT Unilever Indonesia Tbk from 2020 to 2024.

2. Method

This study uses associative research, which aims to analyze the relationship between two or more variables through data collection, organization, interpretation, and analysis to obtain objective conclusions. According to Sugiyono (2024:10), associative research aims to systematically and accurately determine the relationship or influence between two or more variables. The research was conducted at PT Unilever Indonesia Tbk, listed on the Indonesia Stock Exchange (IDX), utilizing secondary data in the form of Annual Reports for the 2020–2024 period obtained from the company's official online website. The research was conducted from January to April 2026.

The research population consisted of all audited and published financial statements of PT Unilever Indonesia Tbk since the company's listing on the IDX. According to Elvera (2021:22), a population is all objects or individuals with similar characteristics and the focus of the research. Sudjana (2010:6) defines a

population as the total value or measurement results regarding certain characteristics of all members of a complete group. The research sample consisted of five annual financial reports for the 2020–2024 period that met the criteria of being audited, fully available, and containing the data necessary to calculate liquidity ratios and Return on Assets (ROA). Sugiyono (2024:118) states that a sample is a subset of a population with certain characteristics, while Elvera (2021:24) explains that a sample is a portion of a population deemed representative of the population's characteristics. The sampling technique used non-probability sampling with a purposive sampling method, which involves selecting samples based on specific criteria, as explained by Sugiyono (2012:110) in Hikmah (2018:68).

The data used were quantitative data in the form of the financial statements of PT Unilever Indonesia Tbk for the 2020–2024 period. The data sources were secondary data in the form of the company's Annual Report, scientific journals, books, and relevant articles. Data collection was carried out through documentation methods by downloading and processing financial reports, as well as literature review to strengthen the theoretical foundation. Data analysis was conducted through financial ratio analysis using the Current Ratio and Quick Ratio to measure the company's ability to meet short-term obligations. According to Fahmi (2024:59–61), the Current Ratio provides a general overview of a company's ability to meet short-term obligations with its current assets, while the Quick Ratio is a more conservative measure because it excludes inventory, which is relatively difficult to liquidate. Furthermore, a trend analysis was conducted using ROA to assess the development of the company's ability to generate profits from its assets.

The study also used descriptive statistics to present the minimum, maximum, average, and standard deviation values for each variable. According to Sugiyono (2012:206) in Hikmah (2018:77), data analysis occurs after all data has been collected, including grouping, presentation, and hypothesis testing. The classical assumption test begins with a normality test using the Kolmogorov-Smirnov method at a 5% significance level. According to Sugiyono (2012:239) in Hikmah (2018:70), data is considered normally distributed if the significance value is greater than 0.05.

The relationship between the independent and dependent variables was analyzed using simple linear regression with the equation Y = a + bX. Data processing was performed using SPSS software version 26.0 to obtain the mean value, standard deviation, correlation, model summary, t-test, and regression equation. Next, a determination coefficient analysis was performed to measure the ability of the independent variables to explain the variation of the dependent variable. According to Ghozali (2018:80), the determination coefficient (R^2) indicates how much the model is able to explain the dependent variable, with values closer to one indicating a better model's explanatory ability. Hypothesis testing was performed using a t-test by comparing the significance value of 0.05 or the calculated t-value to the t-table to determine whether or not there is a significant effect of the liquidity ratio on ROA.

3. Results And Discussion

Research Findings

Financial Report Data of PT Unilever Indonesia Tbk 2020-2024

The data used are financial reports consisting of current assets, current liabilities, net profit, and total assets for the period 2020 to 2024. This data is the result of processing PT Unilever Indonesia Tbk's financial reports from the official website of PT Unilever Indonesia Tbk. It is compiled in a simple manner yet reflects the actual financial condition of the business.

Table 1. Financial Data of PT Unilever Indonesia Tbk (2020–2024)

Year	Current Assets (in billions of Rupiah)	Short-Term Liabilities (in billions of Rupiah)	Net Profit (in billions of Rupiah)	Total Assets (in billions of Rupiah)
2020	8.828	13.358	7.164	20.535
2021	7.642	12.445	5.758	19.069
2022	7.568	12.442	5.365	18.318
2023	6.192	11.224	4.801	16.664
2024	5.281	11.830	3.369	16.046

Source: PT Unilever Indonesia Tbk Annual Financial Report (processed data, 2026)

Based on Table 1, it can be seen that PT Unilever Indonesia Tbk experienced a structural downsizing trend across all key financial items from 2020 to 2024:

a. The company's Current Assets declined sharply from IDR 8,828 billion in 2020 to IDR 5,281 billion in 2024 (a decrease of approximately 40.17%).
b. Short-Term Liabilities remained relatively high. Although they fell to IDR 11,224 billion in 2023, they rebounded to IDR 11,830 billion in 2024, thus reducing the decline less rapidly than current assets.
c. Net Profit recorded the steepest decline, plunging 52.97% from IDR 7,164 billion (2020) to just IDR 3,369 billion (2024).
d. Cumulative total assets also decreased from IDR 20,535 billion to IDR 16,046 billion.

Development of the Liquidity Ratio (Current Ratio) of PT Unilever Indonesia Tbk 2020-2024

The liquidity ratio in this study is measured using the Current Ratio (CR), which reflects the company's ability to meet its short-term obligations that are immediately due using its current assets. The development of PT Unilever Indonesia Tbk's CR value for the period 2020–2024 is presented in the following table:

Table 2. Data on the Development of PT Unilever Indonesia Tbk's CR Value (2020–2024)

Year	Current Assets (Billion Rp)	Short-Term Liabilities (Rp billions)	Current Ratio (CR)	Development (%)
2020	8.828	13.358	66,09%	Base Year
2021	7.642	12.445	61,41%	-4,68%
2022	7.568	12.442	60,83%	-0,58%
2023	6.192	11.224	55,17%	-5,66%
2024	5.281	11.830	44,64%	-10,53%

Source: PT Unilever Indonesia Tbk Annual Financial Report (processed data, 2026)

$$Current\ Ratio = \frac{Total\ Current\ Assets}{Total\ Short-Term\ Liabilities}$$

Based on Table 2, PT Unilever Indonesia Tbk's Current Ratio (CR) shows a consistent downward trend each year. The highest CR value was in 2020 at 66.09%, where every Rp1 of short-term debt was secured by Rp0.66 of current assets. This ratio continued to decline until it reached its lowest point in 2024 at 44.64%, recording the largest decline in a single fiscal year of -10.53%.

Theoretically, a CR value below 100% is below the normative safety standard. This downward trend indicates the company's increasingly tight liquidity position, caused by the decline in current funds availability much faster than the repayment of its short-term operational debt.

Return on Assets (ROA) Development of PT Unilever Indonesia Tbk 2020-2024

Return on Assets (ROA) is used to measure PT Unilever Indonesia Tbk's managerial efficiency in utilizing all assets under management to generate net profit after tax. The development of ROA values is presented in the following table:

Table 3. Development of Return on Assets (ROA) of PT Unilever Indonesia Tbk for the Period 2020–2024

Year	Net Profit (Rp billion)	Total Assets (Billions of Rupiah)	Return On Assets (ROA)	Development (%)
2020	7.164	20.535	34,88%	Base Year
2021	5.758	19.069	30,20%	-4,68%
2022	5.365	18.318	29,29%	-0,91%
2023	4.801	16.664	28,81%	-0,48%
2024	3.369	16.046	20,99%	-7,82%

Source: PT Unilever Indonesia Tbk Annual Financial Report (processed data, 2026)

$$\text{ROA} \frac{\textit{Net Profit}}{\textit{Total Asset}} \times 100\%$$

Based on Table 3, PT Unilever Indonesia Tbk's return on assets (ROA) moves in line with the liquidity variable, experiencing a gradual decline. The highest ROA value was recorded in 2020 at 34.88%, reflecting a very superior level of asset utilization efficiency. However, this efficiency continues to weaken gradually, dropping to 20.99% in 2024.

The cumulative decline in ROA of 13.89% over the five years was driven by a decline in profitability (net profit) that was far more extreme than the depreciation of total assets under management. This reflects a decline in the company's productivity and capital capability in generating profits for the entity.

Descriptive Statistics

To strengthen the data description, descriptive statistics were processed using SPSS software to provide summary data values in the form of minimum, maximum, average (mean), and standard deviation values for the research sample (n=5).

Table 4. Descriptive Statistics Output Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CR	5	44.64	66.09	57.6280	8.22939
ROA	5	20.99	34.88	28.8340	5.00392
Valid N (listwise)	5				

Source: Processed data (2026)

Based on descriptive statistics, PT Unilever Indonesia's Current Ratio (CR) for the 2020–2024 period had a minimum value of 44.64 and a maximum value of 66.09, with a mean of 57.6280 and a standard deviation of 8.22939. This mean value indicates that the company had a fairly good level of liquidity during the study period, as its current assets were relatively capable of meeting its short-term liabilities. Meanwhile, the Return on Assets (ROA) variable had a minimum value of 20.99 and a maximum value of 34.88, with a mean of 28.8340 and a standard deviation of 5.00392. This indicates that the company was able to generate a relatively high profit from its total assets. The standard deviation values for both variables, which were smaller than the mean, indicate that the data tended to be stable and did not exhibit significant deviations.

Normality Test

This test was conducted using the One-Sample Kolmogorov-Smirnov Test with the following decision-making criteria: if the significance value (Asymp. Sig. 2-tailed) is greater than 0.05 (>0.05), then the residual data is normally distributed.

Table 5. Results of the Kolmogorov-Smirnov Normality Test

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
CR	.251	5	.200*	.917	5	.512
ROA	.298	5	.168	.914	5	.491

*. This is a lower bound of the true significance.
a. Lilliefors Significance Correction

Source: Processed data (2026)

Based on the results of the normality test using the Shapiro-Wilk method, the CR variable obtained a significance value of 0.512 and the ROA variable 0.491. Both values are greater than 0.05, so it can be concluded that the residual data in the regression model examining the effect of the Current Ratio on Return on Assets (ROA) at PT Unilever Indonesia Tbk is normally distributed. Statistically, normally distributed data indicates that the data are spread around the mean value and do not experience extreme deviations. This condition indicates that the regression model is suitable for use because one of the basic assumptions of linear regression has been met.

Autocorrelation Test

The autocorrelation test aims to determine whether there is a correlation in the linear regression model between the nuisance error in period t and the nuisance error in period t−1 (the previous period). Autocorrelation problems often occur in time series data. To detect the presence or absence of autocorrelation, this study uses the Durbin-Watson (DW) test.

Table 6. Durbin-Watson (DW) Autocorrelation Test Results

Model Summary[b]

Model	Std. Error of the Estimate	Durbin-Watson
1	1.41179	2.470

Source: Processed data (2026)

Based on the results of the Durbin-Watson autocorrelation test, a value of 2.470 was obtained. This value is around 2, thus concluding that the regression model does not experience autocorrelation. This means that the residuals or prediction errors in one period are not correlated with the residuals in other periods. This condition indicates that inter-annual data at PT Unilever Indonesia Tbk. do not systematically influence each other in model error, thus making the regression results more reliable and unbiased by the influence of residuals across time.

Heteroscedasticity Test

The heteroscedasticity test aims to examine whether the regression model exhibits unequal variances between residuals from one observation to another. If the variances of the residuals from one observation to another remain constant, it is called homoscedasticity (a good model), and if they differ, it is called heteroscedasticity. This study used the Glejser Test, which regresses the absolute value of the residuals against the independent variable (Current Ratio). The test criteria: if the significance value is >0.05, the model is free from heteroscedasticity.

Table 7. Results of Heteroscedasticity Test (Glejser Test)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.321	1.598		-.826	.469
	CR	.040	.028	.644	1.459	.241
a. Dependent Variable: ABS_RES						

Source: Processed data (2026)

Based on the Glejser test results in Table 7, the significance value for the Current Ratio (X) variable is 0.241. This result indicates that the significance value of the independent variable is much greater than the error level of α=0.05 (0.584>0.05). Therefore, it can be concluded that there are no symptoms of heteroscedasticity in this regression model, meaning the variance of the residual data from one observation year to the next is constant (homoscedasticity) and suitable for further analysis.

Simple Linear Regression Analysis and Hypothesis Testing

This test was conducted to determine the direction of the mathematical relationship and empirically verify whether the independent variable, Current Ratio (CR), has a significant influence on the dependent variable, Return on Assets (ROA), at PT Unilever Indonesia Tbk for the 2020–2024 period.

Simple Linear Regression Equation

Simple linear regression analysis is used to predict the value of a dependent variable based on changes in the value of the independent variable. The basic mathematical equation for simple linear regression is:

$$Y=a+bX$$

Based on the results of data processing using SPSS, the regression coefficient values are obtained in the following table:

Table 8. Results of Simple Linear Regression Analysis

Coefficients[a]					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	-5.145	4.983		.378
	CR	.590	.086	.970	.006
a. Dependent Variable: ROA					

Source: Processed data (2026)

Based on Table 8, the simple linear regression equation is as follows:

$$ROA=-5.145+0.590(CR)$$

The regression function equation above can be scientifically interpreted as follows:

1. Constant (a) of -5.145: This indicates that if the Current Ratio (CR) is assumed to be zero (0) or the company has no current assets to secure its debt, then the estimated Return on Assets (ROA) of PT Unilever Indonesia Tbk is predicted to be negative at 5.145.
2. Regression Coefficient (b) of 0.590: This is positive, indicating a unidirectional relationship between the Current Ratio and Return on Assets. This means that for every 1% increase in the Current Ratio, the company's ROA is predicted to increase by 0.590%. Conversely, if the Current Ratio decreases by 1%, the ROA value is predicted to decrease by 0.590%.

Hypothesis Testing (Partial t-Test)

The partial t-test is used to statistically test whether the regression coefficient of the independent variable has a real (significant) effect on the dependent variable or is merely a coincidence.

The decision-making criteria are based on two approaches with a margin of error of $\alpha = 5\%$ (0.05) and degrees of freedom (df = n−2 = 5−2 = 3), where the reference t-table value is 3.182:

a. Based on Significance: If the Sig. value is <0.05, then H0 is rejected and H1 is accepted.
b. Based on t-Value: If the calculated t-value is > t-table, then H0 is rejected and H1 is accepted.

Test Results

Table 9. Hypothesis Testing (Partial t-Test)

Coefficients[a]							
Model		Unstandardized Coefficients		Standardized Coefficients	t $_{count}$	t $_{table}$	Sig.
		B	Std. Error	Beta			
1	(Constant)	-5.145	4.983		-1.032	3.182	.378
	CR	.590	.086	.970	6.874	3.182	.006
a. Dependent Variable: ROA							

Source: Processed data (2026)

Based on the data in Table 9, the calculated t-value is 6.874 with a significance level (Sig.) of 0.006.

When compared with the basic indicators for drawing conclusions:
Significance value 0.006 <0.05.
The calculated t-value of 6.874 > t-table 3.182.

Based on the partial t-test results, the calculated t-value is 6.874. This value indicates that the CR variable has a strong influence on ROA. Furthermore, the significance value of 0.006 is less than 0.05, so H0 is rejected and H1 is accepted. Thus, it is empirically proven that the Current Ratio has a positive and significant effect on PT Unilever Indonesia's Return on Assets for the 2020–2024 period. This means that companies with good liquidity tend to be better able to maintain smooth operations and manage assets effectively, thereby increasing company profitability.

Coefficient of Determination Analysis (R2)

The Coefficient of Determination (R-Square) analysis is used to measure the extent to which the independent variable (Current Ratio) contributes to explaining fluctuations in the value of the dependent variable (Return on Assets). The R2 value is obtained from the Model Summary output table as follows:

Table 10. Results of the Coefficient of Determination (R2) Test

Model Summary[b]			
Model	R	R Square	Adjusted R Square
1	.970[a]	.940	.920
a. Predictors: (Constant), CR			
b. Dependent Variable: ROA			

Source: Processed data (2026)

Based on Table 10, the R Square (R2) value is 0.940. This coefficient of determination, when converted to a percentage, is 94%.

This figure indicates a very high level of model accuracy, meaning that 94% of the fluctuations in Return on Assets (ROA) at PT Unilever Indonesia Tbk during the 2020–2024 period were directly influenced by variations in the Current Ratio. The remaining 6% (100%–94%) is explained by factors or variables outside

this research model that were not tested, such as the solvency ratio (Debt to Equity Ratio), working capital efficiency (Working Capital Turnover), and external macroeconomic dynamics.

Discussion

Based on a series of statistical tests presented in the previous sub-chapter, empirical evidence was obtained that the Liquidity Ratio, proxied by the Current Ratio (CR) as the independent variable (X), has a positive and significant effect on Return on Assets (ROA) as the dependent variable (Y) at PT Unilever Indonesia Tbk during the observation period of 2020 to 2024.

The results of a simple linear regression analysis indicate a positive regression coefficient of 0.590 with a very strong significance level of 0.006, which is much lower than the established significance tolerance limit (α=0.05). This indicates that the direction of influence of both variables is unidirectional, where any increase in the liquidity ratio will be followed by an increase in the company's profitability, and conversely, any decrease in the liquidity ratio has the potential to significantly reduce the company's ability to generate asset-based net income.

These statistics are not merely mathematical representations, but rather reflect the operational economic realities occurring within PT Unilever Indonesia Tbk. The regression coefficient value of 0.590 indicates that each one-unit increase in the Current Ratio will contribute a 0.590-unit increase in Return on Assets, assuming other variables remain constant.

The Coefficient of Determination (R2) value of 0.940 also confirms that 94% of the fluctuations in assets' ability to generate net profit (ROA) at PT Unilever Indonesia Tbk are determined by fluctuations in its liquidity ratio. Meanwhile, the remaining 6% is influenced by external factors outside this research model, such as changes in corporate tax policy, fluctuations in the rupiah exchange rate, and global macroeconomic dynamics.

Conceptualization of Financial Management Theory

In traditional financial management literature, there is a concept known as the Liquidity-Profitability Trade-Off. This theory states that the relationship between liquidity and profitability is generally negative (inverse), where holding too much current assets (such as cash) will lead to idle cash, which can reduce the efficiency of assets in generating profits. However, empirical findings at PT Unilever Indonesia Tbk for the 2020–2024 period reveal a very interesting theoretical anomaly or exception, where the relationship proved positive and significant.

This positive relationship can be logically explained through a manufacturing company's operational efficiency approach. PT Unilever Indonesia Tbk operates in the Fast Moving Consumer Goods (FMCG) sector, which relies heavily on a smooth supply chain and intensive working capital turnover. When management implemented an overly aggressive financial strategy, pushing the Current Ratio well below the normative safe limit (to below 50%), the company experienced limited financial flexibility.

The limited availability of current assets (cash, liquid securities, and receivables) made the company less flexible in optimally purchasing raw materials, taking advantage of vendor discounts, or exploring aggressive marketing strategies amidst intense post-pandemic market competition. These small disruptions to the smooth flow of daily operational funding cumulatively created operational inefficiencies, hampered sales conversion, and ultimately reduced net profit margins. When the net profit generated decreases, the total capacity of assets to provide a rate of return on capital (Return On Assets) also weakens.

Relevance to Previous Research

The findings of this study are highly relevant and reinforce the empirical evidence from several previous studies supporting a positive linear relationship between liquidity and profitability. These findings align with those of L.M.L. Rompas and L.J. Rumokoy (2023), who examined the financial performance of companies in the automotive and component sub-sectors listed on the Indonesia Stock Exchange. Rompas and Rumokoy found that the Current Ratio had a positive and significant effect on Return on Assets (ROA). This similarity in results is based on the view that for capital-intensive manufacturing companies, the availability of adequate current assets serves as a guarantee of a smooth production cycle. When PT Unilever Indonesia Tbk experienced a decline in its liquidity ratio followed by a decline in profitability, this situation reinforced Rompas and Rumokoy's conclusion that a decline in short-term liquidity adequacy will directly impact the company's ability to generate operating profit.

These research findings also support the research of I. Yunita and I.K. Dewi (2025) examined the effect of the Current Ratio on ROA at PT Kalbe Farma Tbk for the 2014–2023 period. Yunita and Dewi concluded that the Current Ratio positively impacts ROA because a healthy level of liquidity sends a positive signal to creditors and suppliers, allowing the company to easily obtain trade credit facilities at lower costs. The similarity of these results suggests that, in both the pharmaceutical and fast-moving consumer goods (FMCG) industries, maintaining adequate liquidity is a critical factor in maintaining a company's ability to generate profits through optimal asset utilization.

Furthermore, this study's findings are supported by research by H.N. Warasto and K. Ayun (2024) on PT Indocement Tunggal Prakarsa Tbk, which concluded that the Current Ratio partially has a significant effect on ROA. Although operating in different industrial sectors, the cement and FMCG industries share similar characteristics in inventory management and accounts receivable. These shared characteristics indicate that short-term liquidity stability is a crucial factor in maintaining effective asset utilization and supporting the sustainability of a company's operational activities.

Internationally, the results of this study also resonate with the findings of Olowokudejo et al. (2022) published in the Nigerian Journal of Risk and Insurance. The study stated that liquidity ratio management has a significant impact on a company's ROA. This similarity in findings indicates that the importance of liquidity management in increasing profitability applies not only to companies in Indonesia but is also a universal financial management principle applicable across countries and industrial sectors.

However, the results of this study differ from those of Rafique et al. (2025), who examined the Canadian banking sector. Rafique et al. found that liquidity measures did not have a significant direct impact on bank profitability. This difference can be explained by the different characteristics of the industries. The banking industry is a highly regulated financial services industry with different asset structures, funding sources, and liquidity management practices than manufacturing companies. Liquidity in the banking sector is controlled by monetary authorities through instruments such as the Minimum Reserve Requirement (GWM) and the Liquidity Coverage Ratio (LCR), so its fluctuations do not directly reflect the efficiency of working capital management. In contrast, in a manufacturing company like PT Unilever Indonesia Tbk, current assets are dominated by cash, inventory, and receivables, which interact directly with the production process and daily operational activities. Therefore, changes in the current ratio have a greater impact on ROA than in the banking sector, making the positive relationship between liquidity and profitability more pronounced in manufacturing companies.

4. Conclusion

Based on the research results, data analysis, and discussion regarding the effect of the Liquidity Ratio on Return on Assets (ROA) at PT Unilever Indonesia Tbk for the 2020–2024 period, it can be concluded that during the observation period, the company experienced a downward trend in financial performance across both variables studied. The Liquidity Ratio, proxied by the Current Ratio (CR), gradually decreased from 66.09% in 2020 to 44.64% in 2024. This decline was followed by a decline in Return on Assets (ROA) from 34.88% in 2020 to 20.99% in 2024. This condition indicates that the decline in liquidity is in line with the decline in company profitability. Increasingly stringent liquidity management policies, amidst pressure from raw material inflation and increasing market competition during the study period, resulted in limited working capital, thus suboptimal profit generation for the company. Consequently, asset productivity in generating profits also decreased, which also strengthens the statistical analysis findings regarding the positive relationship between the Current Ratio and ROA. The results of hypothesis testing using simple linear regression showed a regression coefficient of 0.590 with a significance value of 0.006 (<0.05), and a calculated t-value of 6.874, which is greater than the t-table of 3.182. These results demonstrate that the Liquidity Ratio, proxied by the Current Ratio, has a positive and partially significant effect on Return on Assets (ROA) at PT Unilever Indonesia Tbk for the 2020–2024 period. Thus, changes in liquidity significantly impact the company's ability to generate profits through the utilization of its assets.

Furthermore, the coefficient of determination (R^2) analysis showed a value of 0.940, or 94%. This indicates that 94% of the variation in ROA changes can be explained by changes in the Current Ratio, while the remaining 6% is influenced by factors outside the research model. The high coefficient of determination indicates that the Liquidity Ratio is a very dominant factor in explaining changes in the profitability of PT Unilever Indonesia Tbk during the study period.

Theoretically, this study's findings demonstrate an exception to the traditional liquidity-profitability trade-off theory. At PT Unilever Indonesia Tbk, current assets, as reflected in the Current Ratio, do not become idle cash but rather serve as a crucial component supporting the efficient utilization of the company's assets in generating profits. Thus, adequate liquidity is proven to be a factor supporting increased company profitability, rather than a barrier to efficiency as explained by the traditional trade-off concept.

5. References

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