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The Effect of Liquidity, Solvability, Profitability, and Firm Size on Firm Value

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Abstract. *This study aims to analyze the influence of liquidity, solvency, profitability, and firm size on the value of food and beverage companies listed on the Indonesia Stock Exchange during the 2023–2025 period. The study's novelty lies in the simultaneous examination of these four factors within the food and beverage sector. A quantitative approach was employed using secondary data and purposive sampling, covering 30 companies and resulting in 90 observations. Data analysis was conducted using multiple linear regression with the aid of SPSS. The results indicate that liquidity and profitability have a significant positive effect on firm value, while solvency has a significant negative effect; firm size, however, does not have a significant impact. Collectively, the four variables exert a significant" influence on firm value.*

Abstrak. Penelitian ini bertujuan menganalisis pengaruh likuiditas, solvabilitas, profitabilitas, dan ukuran perusahaan terhadap nilai perusahaan pada perusahaan sektor makanan dan minuman yang terdaftar di Bursa Efek Indonesia periode 2023–2025. Kebaruan penelitian terletak pada pengujian keempat faktor tersebut secara bersama-sama pada sektor makanan dan minuman. Penelitian menggunakan pendekatan kuantitatif dengan data sekunder dan metode purposive sampling terhadap 30 perusahaan dengan 90 observasi. Analisis dilakukan menggunakan regresi linear berganda dengan bantuan SPSS. Hasil penelitian menunjukkan bahwa likuiditas dan profitabilitas berpengaruh positif signifikan terhadap nilai perusahaan, solvabilitas berpengaruh negatif signifikan, sedangkan ukuran perusahaan tidak berpengaruh signifikan. Secara simultan, keempat variabel berpengaruh signifikan terhadap nilai perusahaan.

Keywords:
Liquidity; Solvability; Profitability; Firm Size Firm Value

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Introduction

Every organization will employ different business strategies to achieve its objectives and maintain a competitive advantage. In accordance with the findings of Suwaidi (2021), this study focuses on companies in the food and beverage industry listed on the Indonesia Stock Exchange. Their history of success amid an uncertain economic environment serves as a major selling point for these companies to potential investors. The ability of individuals to fulfill their most basic needs is also greatly influenced by this industry (Widiantari et al., 2020). This study incorporates liquidity, solvency, profitability, and firm size as independent variables, with firm value as the dependent variable.

Putra and Wikartika (2026) stated that investors consider firm value when making investment decisions. Investors use firm value to evaluate a company's future prospects. A company with a higher value is considered capable of providing greater dividends (Putra, 2026). Several factors, both internal and external, influence firm value. This means that continuously increasing market demand is not the sole determinant of firm value; rather, long-term operational efficiency and business profitability are also important. According to Rosa and Hermanto (2024), comparing a company's market price with its book value ratio (PBV) is a common approach to determining firm value. This ratio reflects market confidence in the company's future prospects and accounting performance.

Previous studies have explained several factors that influence firm value. According to (Hertina, 2024), a company's capacity to fulfill its immediate obligations is a major component of liquidity. Markonah et al. (2020) stated that liquidity represents a company's capacity to meet its maturing obligations, both internal and external. A company's ability to finance and pay its obligations (debts) when they become due can be determined by its liquidity. To maintain a high firm value, company management must ensure that its assets are sufficient to cover its liabilities. If firm value is low, the company may be unable to operate its business normally (Simanungkalit et al., 2025).

The capacity of a business to carry out all of its long-term plans and its impact on financial conditions is another aspect that affects firm value, namely solvency (Hestinoviana, 2010). This indicates the ratio of a company's total debt to its equity. A high solvency ratio may influence investors' perceptions and increase firm value (Ningsih & Sari, 2019). The Debt-to-Equity Ratio (DER) is used to calculate this ratio; a high DER indicates a strong dependence on debt and may increase the risk of corporate failure (Araujo, 2026).

Third, successful companies are able to utilize their available resources, such as equity, cash, and assets, to generate profits within a certain period. There are various methods for determining business profitability, all of which involve comparing a company's income with its assets or capital. To understand a company's financial performance, management effectiveness, and shareholders' return on investment, business owners need to monitor profitability. Investors are primarily interested in a company's potential to increase its value and fulfill the interests of its shareholders (Rosa & Hermanto, 2024).

Finally, firm size is an important factor in determining firm value because it reflects the composition of a company's total assets, revenue, and market capitalization. Optimism and consistent cash flows are among the advantages of companies with large assets (Komalasari, 2023). One common way to evaluate firm size is by examining its net income or total assets. Once these factors are known, investors will be able to assess firm value more accurately (Murti & Purwaningsih, 2022).

Many studies have attempted to explain the factors that determine firm value; however, each study has reached different conclusions. Firm value may be influenced by firm size, solvency, profitability, and liquidity, while other studies have found contradictory effects or no significant influence at all. These inconsistencies in the findings indicate the need for further investigation into the existing research gap. This study is distinguished by its use of various metrics, including firm size, liquidity, solvency, and profitability, to assess the value of food and beverage companies listed on the Indonesia Stock Exchange.

This study aims to provide empirical evidence regarding the impact of fundamental factors on the value of various food and beverage companies in Indonesia. In principle, this study seeks to strengthen the concept of signaling theory. Based on this hypothesis, the authors collect data on the effects of liquidity, solvency, profitability, and firm size on firm value. The findings are also expected to support investment decision-making and the monitoring of business activities to ensure effective management and successful business operations.

Relationships Between Variables And Hypothesis Development

The Effect of Liquidity on Firm Value

The findings indicate that when cash is readily available, firm value increases. Firm value is directly proportional to its liquidity. This result suggests that a company's ability to meet its immediate expenses reflects its financial health. This situation gives investors confidence that the company can maintain its strong financial performance, potentially leading to an increase in firm value.

According to signaling theory, third parties can evaluate situations that are not immediately observable by using observable information or events as signals (Spence M, 1973). This theory is relevant to the current situation. A company's ability to manage its cash and pay its short-term obligations serves as an indicator of its liquidity level. This indicator is expected to attract investors. Potential investors may be encouraged by these positive developments to continue acquiring additional shares, thereby increasing firm value (Azlin Shakila Putri, 2021).

A business is considered liquid when it has sufficient liquid assets to cover its short-term liabilities. As more people become interested in investing and the company's capital grows rapidly due to timely payments, its shares are likely to attract substantial demand. In other words, substantial cash reserves can increase firm value (Purwaningsih et al., 2024). Based on the discussion above, the following hypothesis is proposed:

H1: Liquidity has a positive effect on firm value.

The Effect of Solvency on Firm Value

The solvency ratio is one of the metrics that can be used to evaluate a company's financial health. A lower solvency ratio indicates that an organization is less likely to incur financial losses, whereas a higher ratio suggests the opposite (Hestinoviana, 2010). Consequently, firm value is affected by the potential for significant losses (Hestinoviana, 2010).

According to signaling theory, other parties, including investors, can assess a company's quality and potential based on signals regarding its condition (Spence, 1973). This study suggests that a company's solvency position can indicate the severity of its financial risks. The company's ability to manage its debt serves as an indicator of its financial stability. Conversely, a company with a substantial amount of debt may signal financial distress. Investors' interpretations of these signals influence their investment decisions, share prices, and the value of the companies in which they invest. Based on the discussion above, the following hypothesis is proposed:

H2: Solvency has a negative effect on firm value.

The Effect of Profitability on Firm Value

Before purchasing shares, investors carefully consider a company's profitability. A higher profit margin indicates a greater capacity for future growth and profit generation (Agustiningsih, 2022).

According to signaling theory developed by (Spence M, 1973), external parties, particularly investors, can use information about a company's condition and performance as signals to assess its future prospects. In this context, a strong profit margin helps convince investors that the company is competent in its core business activity: generating profits. Investors perceive this as a promising indicator of the company's future profitability. This, in turn, attracts the attention of other investors and encourages them to purchase shares. As investor demand increases, firm value is also expected to rise (Hermanto & Margarena, 2023). Based on the discussion above, the following hypothesis is proposed:

H3: Profitability has a positive effect on firm value.

The Effect of Firm Size on Firm Value

From investors' perspectives, firm size is an important factor. Many people assume that large companies are financially stable and well regarded. Signaling theory posits that external parties, particularly investors, can interpret a company's position as an indication of its quality and future organizational potential (Spence M, 1973).

The effect of market competition on enhancing a company's reputation and, consequently, its value depends on several factors, one of which is firm size (Rosa & Hermanto, 2024). Firm value is directly related to return on investment (ROI) and how effectively a business manages its financial resources. Three commonly used methods to measure firm size are market capitalization, total assets, and revenue (Komalasari, 2023). Based on the discussion above, the following hypothesis is proposed:

H4: Firm size has a positive effect on firm value.

Research Method

To answer the research questions, this study uses firm value as the dependent variable and liquidity, solvency, profitability, and firm size as independent variables. Specifically, this study aims to answer the following question: “What is the relationship between firm value and the independent variables of liquidity, solvency, and profitability?” by examining the interaction among these four factors.

This study employs a quantitative research methodology. Examining companies’ financial statements may serve as a suitable starting point. To understand the impact of the variables under study, it is first necessary to determine the nature of the relationship between the independent and dependent variables. Using the Current Ratio (CR) as the independent variable, the authors assess liquidity (X1). According to Nadia et al. (2023), liquidity is determined by dividing current assets by current liabilities. Komalasari and Yulazri (2023) state that solvency can be measured using the Debt-to-Equity Ratio (DER). This ratio is calculated by dividing total debt by total equity. Profitability (X3) is measured using the Return on Assets (ROA) ratio, which is calculated by comparing net income to total assets and multiplying the result by 100%. X4 represents firm size, which is determined using the natural logarithm (Ln) of total assets. The Price-to-Book Value (PBV) ratio, calculated by dividing the stock price by the book value per share, is one of the useful measures for evaluating firm value (Agustiningsih, 2022). This study relies on secondary data sources, such as the Indonesia Stock Exchange (IDX) website and the websites of the affiliated companies.

The research population consists of 124 food and beverage companies listed on the IDX during the 2023–2025 period. A purposive sampling strategy is used to identify food and beverage companies that provide transparent financial information for the 2023–2025 period. Based on these criteria, 30 companies met the requirements, resulting in 90 observations as the research sample.

For this study, SPSS is used for data processing and analysis. To identify the characteristics of the research variables, descriptive statistical tests are first conducted as a basis for the analysis. The next step is to perform the classical assumption tests, which include tests for normality, autocorrelation, heteroscedasticity, and multicollinearity. The subsequent stage involves multiple linear regression analysis to examine the effect of each independent variable on the dependent variable. Afterward, an F-test is conducted to determine whether there is a significant simultaneous effect of the independent variables on the dependent variable. A t-test is then performed for each independent variable to determine whether there is a significant partial effect on the dependent variable. Finally, the coefficient of determination (R^2) is used to determine how well the independent variables explain the variation in the dependent variable.

This study uses a multiple linear regression model:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Description:

- Y = Firm Value
- α = Constant
- β_1 = Regression coefficient of the Liquidity variable
- β_2 = Regression coefficient of the Solvency variable
- β_3 = Regression coefficient of the Profitability variable
- β_4 = Regression coefficient of the Firm Size variable
- X_1 = Liquidity
- X_2 = Solvency
- X_3 = Profitability
- X_4 = Firm Size
- ε = Error

Result and Discussion

Descriptive Test

Unlike attempting to make a broad or general evaluation, descriptive statistics only describe the information obtained for the purpose of analyzing the data. Descriptive statistics provide summaries based on the mean, standard deviation, maximum, and minimum values.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Liquidity	90	0.41	48.68	4.7014	5.94873
Solvency	90	0.03	7.38	0.6177	1.01086
Profitability	90	0.00	0.36	0.0996	0.07760
Firm Size	90	73484014157.00	217981000000000.00	151253282280 51.6370	419865153890 07.98000

Source: Processed data (2026)

The descriptive test findings show that the lowest value for liquidity is 0.41 based on a sample of 90 observations. At its highest, the value is 48.68. With a standard deviation of 5.95 and a mean of 4.70, the findings indicate that liquidity values range from 0.41 to 48.68. Since the standard deviation is greater than the mean, the data distribution is relatively dispersed.

The descriptive test conducted on a sample of 90 observations resulted in a minimum solvency value of 0.03 and a maximum value of 7.38. Within the range of 0.03 to 7.38, solvency has a mean value of 0.62 and a standard deviation of 1.01. Since the standard deviation is greater than the mean, the data show relatively high variation.

The descriptive analysis of profitability using a sample of 90 observations resulted in a minimum profitability value of 0.00 and a maximum value of 0.36. With a standard deviation of 0.08 and a mean of 0.10, profitability ranges from 0.00 to 0.36. Since the standard deviation is relatively close to the mean, the profitability data show a moderate level of variation.

The minimum firm size value is 25.02, based on the descriptive test results from 90 observations, while the maximum value is 33.02. The findings indicate that firm size ranges from 25.02 to 33.02, with a mean of 28.36 and a standard deviation of 1.92. The standard deviation is lower than the mean value of firm size, indicating a relatively uniform distribution.

At its minimum, firm value is 0.07, based on the descriptive test results from 90 observations. At its maximum, the value is 23.79. Firm value has a standard deviation of 3.50 and a mean of 2.85, with values ranging from 0.07 to 23.79. Since the standard deviation is greater than the mean, the data related to firm value show relatively high variation.

Classical Assumption Tests

Normality Test

The normality test is conducted to determine whether the data follow a normal distribution. This is based on the assumption that the error values generated by a linear regression model tend to follow a normal distribution. Only regression models with normally or approximately normally distributed residuals can be statistically evaluated. The asymptotic significance (2-tailed) value is 0.200, which is compared with the critical value of 0.05. Therefore, the data meet the normality assumption.

Heteroscedasticity Test

The heteroscedasticity test is used to determine whether subsamples or groups of data exhibit significantly different levels of dispersion. Data are considered heteroscedastic if their variance is not constant across all values in the dataset. Heteroscedasticity is considered absent from the regression model if the significance value is greater than 0.05. Conversely, a significance (Sig.) value below 0.05 indicates the presence of heteroscedasticity in the regression model. Since all variables have Sig. values greater than 0.05, the SPSS analysis concludes that the regression model does not exhibit heteroscedasticity.

Multicollinearity Test

The multicollinearity test is conducted to identify the possibility of linear relationships among the independent variables in the regression model. Multicollinearity is indicated when independent variables are strongly correlated with one another. This condition may reduce the reliability of regression analysis. A VIF value below 10.00 indicates that the regression model does not have multicollinearity. A regression model with a VIF value greater than 10.00 is considered to have multicollinearity. The test results show that all VIF values are below 10.00 and the tolerance values are close to 1, indicating that the regression model does not exhibit multicollinearity.

Autocorrelation Test

The autocorrelation test is conducted to determine whether there is a correlation between residual values across observations in the regression model. The presence of autocorrelation may affect the validity of regression analysis. The research results do not indicate the presence of multicollinearity in the regression model, with all VIF

values below 10.00 and tolerance values close to 1.

Multiple Linear Regression Test

The following equation is used to obtain the multiple regression model when analyzing the regression coefficients:

$$Y = 1.901 + 0.097 \text{ Liquidity} - 0.220 \text{ Solvency} + 0.135 \text{ Profitability} + 0.046 \text{ Firm Size} + 0.562 \varepsilon$$

Description:

- X_1 = Liquidity
- X_2 = Solvency
- X_3 = Profitability
- X_4 = Firm Size
- Y = Firm Value
- ε = Error

Based on the regression equation, the following conclusions can be drawn: a = 1.901 indicates that Y will have a constant value of 1.901 when X_1, X_2, X_3, and X_4 remain constant. b_1 = 0.097 indicates that Y will increase by 0.097 when X_1 increases. b_2 = −0.220 indicates that Y will decrease by 0.220 when X_2 increases. b_3 = 0.135 indicates that Y will increase by 0.135 when X_3 increases. Meanwhile, b_4 = 0.046 indicates that Y will increase by 0.046 when X_4 increases

Hypothesis Testing

A partial t-test can be used to determine whether an independent variable has a significant effect on the dependent variable after other independent factors have been taken into account in the multiple linear regression model. By controlling for other factors, the partial t-test enables researchers to determine the relative importance of each independent variable in explaining the dependent variable.

Table 2. Hypothesis Test

Model	Unstandarized B	Std. Error	Standarized Coefficients Beta	t	Sig.
(Constant)	1.901	0.229		8.321	0.000
Liquidity	0.097	0.036	0.225	2.696	0.008
Solvability	-0.220	0.034	-0.546	-6.511	0.000
Profitability	0.135	0.041	0.269	3.262	0.002
Firm Size	0.046	0.039	0.099	1.205	0.232

Source: Processed data (2026)

The t-table value is obtained using N − k − 1 = 90 − 4 − 1 = 85 degrees of freedom at a significance level of 0.05, resulting in a t-table value of 1.988. A variable can be considered to have a significant effect if its p-value is less than 0.05 and the absolute t-value is greater than the t-table value.

The t-test results show that liquidity (X_1) has a significant positive effect on firm value, as indicated by the t-value of 2.696 > 1.988 and the significance value of 0.008 < 0.05. Solvency (X_2) has a significant negative effect on firm value, as indicated by the t-value of −6.511 and the significance value of 0.000 < 0.05. Profitability (X_3) has a significant positive effect on firm value, with a t-value of 3.262 > 1.988 and a significance value of 0.002 < 0.05. Meanwhile, firm size (X_4) does not have a significant effect on firm value, as indicated by the t-value of 1.205 < 1.988 and the significance value of 0.232 > 0.05.

f-Test

When conducting multiple linear regression with several independent variables, an F-test can be performed simultaneously to determine whether the independent variables collectively have a statistically significant effect on the dependent variable. The main purpose of this test is to determine whether all independent variables jointly have regression coefficients equal to zero.

Based on the SPSS results, the calculated F-value is 16.659. Using a significance level of 0.05 and degrees of freedom of N − k − 1 = 85 (90 − 4 − 1), the F-table value is 2.48. Since the calculated F-value is greater than the F-table value (16.659 > 2.48) and the p-value is less than 0.05, it can be concluded that firm size, liquidity, solvency, and profitability simultaneously have a significant effect on firm value.

Coefficient of Determination (R^2)

Percentage analysis is commonly used to determine the extent to which independent variables explain the dependent variable. The coefficient of determination (R^2) obtained from the SPSS test is 0.413, or 41.3% (0.413 × 100). This indicates that X_1, X_2, X_3, and X_4 explain 41.3% of the variation in Y, while the remaining variation is explained by other variables that are not included in the research model.

Discussion

The Effect of Liquidity on Firm Value

The findings indicate that a company's liquidity has a statistically significant positive effect on firm value. This is supported by the significance level (0.008 < 0.05), regression coefficient (0.097), and t-value (2.696). Therefore, H1 is accepted based on the current findings. The study demonstrates that firm value is positively associated with liquidity. The Current Ratio (CR), defined as the ratio of current assets to current liabilities, is used as the measure of liquidity in this study. If a company is able to pay its short-term obligations, it indicates financial stability. For investors, financial stability means that the company is capable of meeting its obligations when they become due.

These findings support signaling theory, which states that investors can assess a company's future prospects by examining information regarding its current condition. A company's level of liquidity serves as a positive signal to investors because it reflects its ability to manage current assets and short-term obligations. These signals may encourage investor optimism, potentially increasing demand for and investment in the company's shares. Increased demand for shares may subsequently drive up the stock price and firm value. The findings demonstrate that liquidity strengthens firm value, consistent with other studies (Murti & Purwaningsih, 2022; Putri, 2021)

The Effect of Solvency on Firm Value

According to the research findings, solvency has a significant negative effect on firm value. The regression results show a t-value of −6.511, a regression coefficient of −0.220, and a significance level of 0.000 < 0.05. Therefore, H2 is accepted. The findings indicate that higher levels of solvency risk are associated with lower firm value. By comparing a company's total debt with its total equity, the Debt-to-Equity Ratio (DER) enables researchers to assess the company's ability to meet its financial obligations. Companies that rely heavily on debt generally face greater financial obligations. In this situation, the company's financial condition may be pressured by debt repayments and other related expenses.

According to signaling theory, a company with a high level of debt may be perceived by investors as having greater financial risk. Before investing their funds in a business, investors generally consider the company's financial stability.

Increasing debt may be perceived as a signal of greater financial risk, which may reduce investor interest in the company's shares. Stock prices reflect investors' perceptions of a business and can therefore be used to determine its value. A high level of solvency risk may increase the company's risk and decrease its value (Hestinoviana, 2010).

The Effect of Profitability on Firm Value

According to the research findings, firm value is significantly influenced by profitability. The test results show a t-value of 3.262, a regression coefficient of 0.135, and a significance value of 0.002 < 0.05. Therefore, H3 is accepted. The study indicates that a company's market value is positively associated with its profitability. One way to measure profitability in this study is by using Return on Assets (ROA). This indicator shows how effectively a business utilizes its assets to generate profits. Profitability is an indicator of effective business performance. Investors pay close attention to profitability because it is an important measure of a company's current and future performance.

These findings support signaling theory, which suggests that investors are encouraged to assume that profitability has a positive effect on a company's performance and future prospects. A company's ability to generate sufficient profits to attract investors and justify share purchases is an important indicator used to assess firm value. Higher stock prices, which may result from increased demand for shares, contribute to higher firm value. These findings are consistent with Agustiningsih and Septiani (2022) and Margarena and Hermanto (2023), whose studies also found a positive relationship between profitability and firm value.

The Effect of Firm Size on Firm Value

Firm value appears to have no significant relationship with firm size. This is supported by the significance value of 0.232 (> 0.05), regression coefficient of 0.046, and t-value of 1.205. Therefore, H4 is rejected. The findings indicate that firm size is not significantly associated with firm value in the food and beverage sector. This study measures firm size using the natural logarithm of total assets. A larger company does not necessarily mean that investors will immediately invest more funds in it. The results indicate that firm size alone is insufficient to increase firm value.

The absence of a significant effect of firm size on firm value may indicate that investors consider factors beyond asset size when making investment decisions. Investors consider a company's solvency, profitability, ability to meet its obligations, and growth potential when making investment decisions. Therefore, if a company's performance is below expectations, its assets may not contribute significantly to firm value, regardless of their quantity. The findings suggest that financial performance indicators such as liquidity, solvency, and profitability may provide investors with more relevant information regarding a company's financial health than its size alone.

Conclusion and Recommendations

Using data from 30 firms and 90 observations, this study examines the food and beverage industry from 2023 to 2025. The main objective of this study is to identify the factors that influence firm value, including firm size, profitability, solvency, and liquidity. The researchers found that liquidity significantly increases firm value after controlling for firm size, profitability, and solvency. Firm value increases when a company is able to meet its financial obligations promptly without facing bankruptcy. Based on the statistical results, even with a high level of solvency, firm value decreases significantly. Profitability is a strong predictor of firm value, and an increasing profit trend indicates that firm value is likely to continue increasing. However, this study did not identify any relationship between firm size and an increase in firm value; therefore, no conclusion can be drawn regarding how firm-

size-related variables affect this increase.

In terms of time and scope, this study has several limitations. Further research should use different research objects, longer observation periods, and additional variables to gain a deeper understanding of the characteristics that influence firm value. Nevertheless, several Indonesian food and beverage companies have experienced financial difficulties, while this study only accounts for 41.3% of the factors that determine firm value, including liquidity, solvency, profitability, and firm size. The authors suggest that future studies expand the variables by incorporating dividend policy. In particular, dividend policy may provide shareholders with greater confidence and optimism regarding the company's future prospects.

The researchers hope that both interns and external parties will find this study useful. The findings, which consider factors such as firm size, liquidity, solvency, and profitability, can assist internal stakeholders, particularly management, in making better decisions regarding financial policies and strategies that can enhance firm value. Efficient management of assets and liabilities, the ability to meet short-term obligations, increasing profitability, and reducing debt to prevent excessive financial risk are important components of effective management. Investors and other external parties can also use the findings of this study to assess a company's financial stability, level of risk, and growth potential before investing in the business. By considering these four factors, investors may gain a better understanding of a company's financial condition, which can ultimately lead to more informed investment decisions.

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