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Healthcare Corporate Profitability During Economic Volatility: The Role of Liquidity and Solvency (2020-2024)

Fina Risky Aulia[1], Fanlia Prima Jaya[2], Muhammad Nurdin[3]
STIMI Banjarmasin [1,2,3]

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ABSTRACT

The purpose of this study is to determine and analyze the effect of Liquidity and Solvency on Profitability in Healthcare sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period. The independent variables in this study are Liquidity and Solvency, while the dependent variable is Profitability. The population in this study includes all healthcare companies listed on the IDX, where the sample was determined using a purposive sampling method to obtain 10 sample companies with a total of 50 observation data for 5 years. This study uses secondary data obtained from the company's annual financial report. The data analysis method used is multiple linear regression analysis processed using the SPSS program. Based on the results of the study, it is known that partially Liquidity has a positive and significant effect on Profitability. Conversely, Solvency has a negative and significant effect on Profitability. Simultaneously, the test results show that Liquidity and Solvency have a significant effect together on Profitability in Healthcare sub-sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period.

1. Introduction

A company's financial performance is determined not only by its ability to generate profits, but also by how the company manages its financial structure and liabilities in a balanced manner. In practice, companies that are able to maintain a balance between the ability to pay short-term obligations and manage long-term debt tend to have more stable and sustainable performance. This is increasingly important for companies listed on the capital market, as investors assess not only the amount of profit but also the level of financial risk faced by the company (Brigham & Houston, 2021).

One of the main indicators in assessing the success of a company's financial management is profitability. Profitability reflects a company's ability to generate profits through the utilization of its assets and capital (Kasmir, 2021). High profitability indicates operational efficiency and management effectiveness in managing company resources. However, profitability does not stand alone but is influenced by various internal factors, particularly the company's liquidity and solvency.

Liquidity can reflect the ability to meet short-term obligations in a timely manner. Companies with a good level of liquidity will have greater financial flexibility in carrying out daily operations (Hery, 2017). Meanwhile, solvency describes a company's ability to meet all of its long-term obligations and indicates the company's funding structure, particularly regarding the use of debt (Sartono, 2016). These two variables play a crucial role because decisions regarding liquidity and debt structure affect a company's ability to generate profits.

Email Adress: finariskyauliia@gmail.com
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From a financial management perspective, liquidity and solvency are not only viewed as performance indicators but also as the result of strategic decisions made by company management. Management plays a crucial role in determining cash, receivables, and inventory management policies as part of working capital management, as well as in determining the financing structure through the use of debt and equity. These decisions have consequences for the company's risk level and ability to generate profits.

Theoretically, high liquidity can increase investor confidence and maintain smooth operations, potentially increasing profitability. However, high liquidity can also indicate idle funds that are not being utilized optimally. On the other hand, the use of debt (solvency) can increase profitability through leverage, but it also increases financial risk if not managed properly (Brigham & Houston, 2021). Therefore, the relationship between liquidity, solvency, and profitability is not always linear and can produce conflicting findings. Empirical evidence also indicates an inconsistent relationship between these three variables. Several studies have found that liquidity and solvency influence profitability, such as research conducted by Qolbi & Ichsani (2023), which stated that liquidity and solvency simultaneously have a significant effect on profitability. However, other studies have shown different results, for example, research by Herlandi Putra & Risha Rizyawati (2025), which found that liquidity has no partial effect on profitability, although they do have a simultaneous effect. Meanwhile, research conducted by Irmala et al. (2025) shows that liquidity and solvency have no significant effect on profitability, either partially or simultaneously. These discrepancies in results indicate a research gap that requires further investigation.

In addition to the inconsistency of previous research results, there is also a gap in the research context. Most research has been conducted in the manufacturing, banking, or food and beverage sectors. Meanwhile, the healthcare sector has received relatively limited research, despite its distinct characteristics. According to Irwandi (2025), companies in the healthcare sub-sector have high investment needs, are dependent on technology, and are sensitive to government policies and health emergencies. These characteristics make managing liquidity and solvency in the healthcare sector more complex than in other sectors. Furthermore, the 2020-2024 period was chosen because it reflects dynamic conditions, particularly due to the COVID-19 pandemic. During this period, the healthcare sector experienced a significant surge in demand, increased operational costs, and the need for significant investment in healthcare facilities and technology. These conditions have the potential to impact a company's financial structure, both in terms of liquidity and solvency, which ultimately impacts company profitability (Fransisca et al., 2025). Therefore, this period is relevant for examining the relationship between financial variables in more depth.

This apparent phenomenon was also observed in PT Kimia Farma Tbk, a healthcare sub-sector company, which experienced fluctuations in profitability during the 2020-2024 period. The company's Return on Assets (ROA) increased in 2021, but declined drastically in subsequent years, reaching negative levels. This condition indicates instability in the company's profit-generating ability, which is suspected to be related to changes in the company's liquidity and solvency during the period (Indonesia Stock Exchange, 2025). Based on this description, it is clear that the relationship between liquidity and solvency on profitability remains an interesting issue to research, particularly in the healthcare sector, which has unique characteristics and is experiencing economic volatility. Therefore, this study was conducted to empirically analyze the effect of liquidity and solvency on profitability in healthcare sub-sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020-2024 period.

2. Literature Review

Financial management is one of the primary functions within a company. It involves planning, managing, and controlling financial resources to support the achievement of company goals. Financial management encompasses the company's activities to obtain funds and utilize available funds to manage company assets, ensuring effective operations (Kasmir, 2021). Financial statements are the end result of a process that shows a company's financial position, performance, and cash flow over a specific period. Financial statements provide a snapshot of a company's financial condition over a specific period and provide information on its strengths

and weaknesses (Harahap, 2008). Financial ratio analysis is a method for assessing a company's performance and condition over a specific period by comparing figures contained in previously published financial reports. This technique is used to assess a company's financial condition by comparing various elements or figures in previous financial reports to determine the company's position and performance (Subramanyam & Wild, 2014). Liquidity is a key indicator in assessing a company's financial condition, particularly its ability to meet short-term obligations. Liquidity indicates a company's ability to provide current assets to repay maturing debts (Astuti, 2021). Assessing a company's financial structure is inseparable from its ability to meet its long-term obligations. This ability indicates the company's level of dependence on debt and the extent to which its assets are able to cover existing obligations (Van Horne & Wachowicz, 2012). According to (Febriana, 2016) the company's ability to generate profits from operations carried out and as a method to evaluate the company's performance in obtaining profits within a certain period of time is called profitability.

3. Research Methods

This study uses a quantitative approach with a causal associative method to analyze the effect of liquidity and solvency on the profitability of healthcare sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period. The data used are secondary data obtained from annual financial reports published on the official IDX website and the websites of each company. The study population consisted of 30 healthcare sub-sector companies listed on the IDX. The sample was determined using a purposive sampling technique based on the criteria of completeness of financial reports, availability of research data, use of the rupiah currency, and no delisting during the study period, resulting in 10 companies as samples. Data collection was carried out using documentation techniques, namely collecting and processing financial reports to obtain data on the Current Ratio (CR) ratio as a proxy for liquidity, Debt to Equity Ratio (DER) as a proxy for solvency, and Return on Assets (ROA) as a proxy for profitability. Data analysis was carried out using IBM SPSS through the stages of descriptive statistical analysis, classical assumption tests (normality, multicollinearity, heteroscedasticity, and autocorrelation), multiple linear regression analysis, hypothesis testing using the t-test and F-test, and testing the coefficient of determination (R^2) to measure the ability of independent variables to explain variations in profitability.

4. Results And Discussion

Descriptive Variables

Liquidity

The liquidity variables in this study were measured using two main indicators, namely *Current Ratio* (CR) and *Quick Ratio* (QR), with a total sample (N=50).

Based on test results. The *Current Ratio* indicator shows a minimum value of 0.49 from the 15th sample, a maximum *Current Ratio* value of 7.66 found in the 30th sample, an average value for the *Current Ratio* indicator of 2.91 and a standard deviation value for *the Current Ratio* of 1.84. Because the standard value of the deviation is smaller than the average value, this indicates that the *distribution of the Current Ratio* data relative has little variation and the grouping of the data tends to be close to the average value. Meanwhile, the *Quick Ratio* indicator produced a minimum value of 0.31 in the 15th sample with a maximum value of 6.41 in the 47th sample. The average *Quick Ratio* value is 2.29 which shows that the average sample company is still able to pay off its short-term obligations well even without taking into account inventory. The standard deviation value of 1.64 which is smaller than the average value

confirms that the *variation in the Quick Ratio* between samples is relatively low and stable. Overall, the liquidity variable has a minimum value of 0.80, a maximum value of 13.48 and an overall average of 5.20. The standard deviation value of 3.41 shows that the data fluctuations in the liquidity variable are still within reasonable and representative limits for the next stage of analysis.

Solvency

A total sample of 50, descriptive analysis for solvency variables measured through *Debt to Asset Ratio* (DAR) and *Debt to Equity Ratio (DER)* is described as follows

The DAR indicator shows a minimum value of 0.10 in the 19th sample and a maximum value of 0.82 in the 25th sample, an average value of 0.34 which indicates that the average sample company funds 34% of its total assets using debt. The standard deviation value of 0.21 was smaller than the average value, indicating that the distribution of DAR data was homogeneous and did not have extreme fluctuations between samples. Meanwhile, the DER indicator produced a minimum value of 0.11 in the 19th sample and a maximum value of 4.59 in the 25th sample. The average value of 0.80 shows that the average debt owned by the sample company is 80% of its total equity. The standard deviation value of 1.05 is slightly larger than the average value, which indicates a fairly high variation or gap in the debt-to-capital ratio among the sample companies. Overall, the solvency variable had a minimum value of 0.21, a maximum value of 5.41, and an overall average of 1.14. The standard deviation value of 1.25 shows that the variation in the cumulative value of solvency in this study is reasonable and representative to be used on Further hypothesis testing analysis.

Profitability

A total of 50 observational samples, descriptive analysis for profitability variables proxied through *Return on Assets* (ROA) and *Return on Equity* (ROE) explained that the ROA indicator showed a minimum value of -18.12% in the 23rd sample which indicates that there are sample companies that have suffered considerable losses. The minimum ROA value was recorded at 30.99% in the 27th sample, the average value was 9.56%, indicating that in general the sample company is still effective in generating profits from its total assets. The standard deviation value of 9.96% is greater than the average value which indicates that the distribution of ROA data has a high variation or level of gap between samples. Meanwhile, the ROE indicator produced a minimum value of -62.27% in the 23rd sample and a maximum value of 36.32% in the 27th sample. The average ROE value was recorded at 9.89% which means that the average sample company is able to provide a return on profit of 9.89% or its own capital. The deviation value of 19.29%, which is greater than the average value, reflects the fluctuation in equity return performance that is quite contrasting among the research objects. Overall, the profitability variable in this study had a minimum value of -80.39%, a maximum value of 67.31% and an overall average average of 19.46% and a standard value of total deviation of 28.63%, confirming that the profitability data has dynamic variables and a wide distribution of data among the sample companies.

Classic Assumption Test

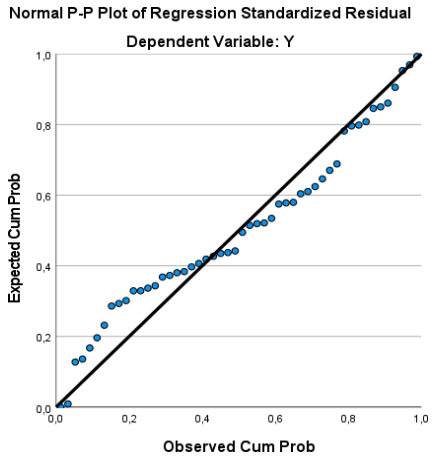
Before conducting multiple linear regression analysis to test the hypothesis, the regression model in this study must first pass the classical assumption test. This step was taken by the researcher to ensure that the estimation model is *the Best Linear Unbiased Estimator* (BLUE), free of bias symptoms, and valid and accurate in explaining the relationship between variables.

Therefore, the researcher conducted several classic assumption tests as follows:

Normality Test

The normality test is part of a statistical analysis used to find out whether the residual distribution studied is normal or not (Isnaini et al., 2025). In this study, the researcher used the *P-P Plot of Standardized Residual* normality test method to test the normality of the dependent variable, namely profitability (Y). The results of the normality test can be seen in figure 1 as follows.

Figure 1. Regression Model Data Distribution Graph



Source: Data processed, 2026

Based on the view of figure 1 above, it can be seen that the data points are spread around the diagonal line and follow the direction of the diagonal line. Although there are slight deviations at some points, in general the pattern of data dissemination is still around the normality line. This shows that the residual in the regression model is normally distributed, so that the assumption of normality is fulfilled. Thus, the regression model used in this study is worthy of further testing because it meets one of the classical assumptions of regression.

Multicollinearity Test

The multicollinearity test is a classical assumption test used to find out if there is a high correlation between independent variables in a regression model. A good regression model has multicollinearity if the tolerance value is more than 0.10 and the VIF is less than 10 (Hati & Aryati, 2022). The guidelines for a model that is free of multicollinearity regression analysis can be seen in the following table 1:

Table 1. Multicollinearity Test Results

Variable	Tolerance	VIF	Conclusion
CR and QR (X_1)	0,682	1,467	No Multicollinearity Occurs
DAR and DER (X_2)	0.682	1,467	No Multicollinearity Occurs

(Source: Data processed, 2026)

The results of the multicollinearity test of data processing in table 1., above, show that the X1 variable (CR and QR) has a *tolerance* value of 0.682 which is greater than 0.10 (0.682 > 0.10) and a VIF value of 1.467 which is smaller than 10 (1.467 < 10). Meanwhile, the X2 variable (DAR and DER) has a tolerance value of 0.682 which is greater than 0.10 (0.682 >

0.10) and a VIF value of 1.467 which is smaller than 10 (1.467 < 10). Through these results, it can be concluded that all independent variables in this study have a *tolerance* value greater than 0.10 and a VIF value less than 10. Thus, the regression model used is free of the symptoms of multicollinearity and qualifies classical assumptions and can be proceeded to the next stage of testing because it meets the assumption of multicollinearity.

Heteroscedasticity Test

The heteroscedastastic test aims to test whether in the regression model there is variance disparity from one residual observation to observation to another (Dr. I Wayan Widana, S.Pd., 2020). If the variant from one residual observation to another the result is fixed, it is called homoskedasticity, and if it is different, it is called heteroskedastastics. A good regression model is one that qualifies homoskedasticity, or in other words no symptoms of heteroscedasticity. The detection of heteroscedasticity symptoms in this study was carried out using *scatterplot* graph analysis methods as follows:

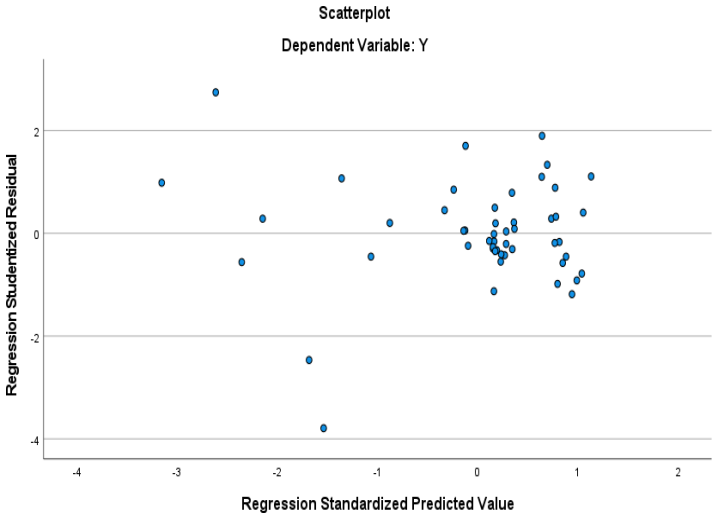


Figure 2. Scatterplot Method

Source: Data processed, 2026

Based on the results of the heteroscedastastastic test using *the scaatterplot* method in Figure 2, it can be seen that the data points are randomly spread and do not form a definite clear pattern. The dots are scattered above and below the number 0 on the Y axis, indicating that the residual variant is fixed. Therefore, it can be concluded that the regression model in this study is free from the problem of heteroscedastasis and has met one of the classical assumption tests.

Autocorrelation Test

The autocorrelation test is a statistically determined whether there is a correlation between residuals, prediction errors, and sequential observations in a linear regression model. This test occurs on time series data, but can also occur on data that is arranged sequentially based on space or other categories (Risda Astridawati Silalahi, et al, 2024). An autocorrelation test was performed using *the Durbin-Watson* to obtain results as to whether there was a correlation between period residual and other residuals.

Table 2. Autocorrelation Test Results

Model	Durbin-Watson
1	1.932

Source: Data processed, 2026

Based on the results of table 2, the *Durbin-Watson* value is 1.932. For a sample size of n = 50 and k = 2 independent variables at a 5% significance level (a = 0,05), the statistical table provides a lower limit (d_L) OF 1.462 and an upper limit (d_U) of 1.628. Because the DW Value (1.932) is located between d_U and 4 - d_U, it is concluded that there are no symptoms of autocorrelation in this regression model.

Linear Regression Analysis and Hypothesis Testing

After the classical assumption tests confirmed that the regression model satisfied all required assumptions, the next stage involved conducting simple linear regression analysis, multiple linear regression analysis, and hypothesis testing. The analyses were performed using IBM SPSS Statistics 25 based on 50 observations. The results of the regression estimation are presented below.

Effect of Liquidity on Profitability

Prior to testing the first hypothesis (H_1), a conceptual framework was established to illustrate the relationship between liquidity (X_1) and profitability (Y). Liquidity was represented by the Current Ratio (CR) and Quick Ratio (QR), while profitability was measured using Return on Assets (ROA) and Return on Equity (ROE). Based on this framework, a simple linear regression analysis was conducted using IBM SPSS Statistics 25.

The results of the simple linear regression analysis are presented in figure 1.

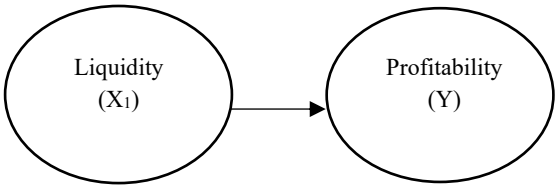


Figure 1. Constellation of Variable X_1 on Y

Source: Processed data, 2026

$$Y = \alpha + \beta_1 X_1 + \varepsilon$$
$$Y = -4{,}694 + 4{,}645 X_1 + \varepsilon$$
$$\sigma = 1{,}008$$
$$R = 0{,}554 \qquad R^2 = 0{,}307$$
$$t_{statistic} = 4{,}609 \ and \ t_{table} = 1{,}677$$

Description:

Y : Profitability
α : Constant
β_1 : Regression coefficient of liquidity
X_1 : Likuidity
ε : Error / residual

Based on the results presented in Table 3, the simple linear regression equation is as follows: Y = -4.694 + 4.645X_1. The constant value of -4.694 indicates that profitability is estimated at -4.694 when liquidity remains constant. Meanwhile, the regression coefficient of 4.645 indicates a positive relationship between liquidity and profitability. This means that every one-unit increase in liquidity is predicted to increase profitability by 4.645 units, assuming the other variables remain constant.

The t-test results show a calculated t-value of 4.609 with a significance value of 0.000 (< 0.05), indicating that liquidity has a positive and significant effect on profitability in health sub-sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period. Therefore, Hypothesis 1 (H_1) is accepted. The coefficient of determination (R^2) is 0.307. This indicates that liquidity explains 30.7% of the variation in profitability, while the remaining 69.3% is explained by other variables outside the scope of this study.

Effect of Solvency on Profitability

To examine the second hypothesis (H_2), a conceptual framework was developed to describe the relationship between solvency (X_2) and profitability (Y). Solvency was measured using the Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER), whereas profitability was measured by Return on Assets (ROA) and Return on Equity (ROE). The relationship between these variables was analyzed using simple linear regression.

The results of the analysis are presented in Figure 2.

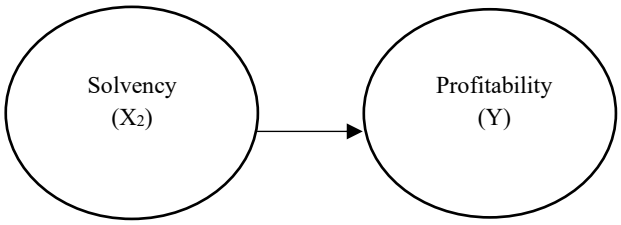


Figure 2. **Constellation of Variabel X_2 on Y**
Source: Processed data, 2026.

$$Y = \alpha + \beta_2 X_2 + \varepsilon$$
$$Y = 39.893 - 17.940\, X_2 + \varepsilon$$
$$\sigma = 2.068$$
$$R = -0.781 \qquad R^2 = 0.611$$
$$t_{statistic} = -8{,}676 \;\; and \;\; t_{table} = 1{,}677$$

Description:

Y : Profitability
α : Constant
β_2 : Regression coefficient of solvency
X_2 : Solvency
ε : Error / residual

Based on the results presented in Table 5, the simple linear regression equation is as follows: Y = 39.893 – 17.940X_2. The constant value of 39.893 indicates that when solvency remains constant, profitability is estimated at 39.893. The regression coefficient of -17.940 indicates a negative relationship between solvency and profitability. This suggests that every one-unit increase in solvency is predicted to reduce profitability by 17.940 units, assuming other variables remain constant.

The t-test results indicate that the calculated t-value exceeds the critical t-value (8.676 > 2.010), with a significance value of 0.000, which is below 0.05. Therefore, solvency has a significant negative effect on profitability in health sub-sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period. Thus, H_2 is accepted. The coefficient of determination (R^2) is 0.611. This indicates that solvency (X_2) explains 61.1% of the variation in profitability (Y), while the remaining 38.9% is explained by other variables outside the scope of this study.

Simultaneous Effect of Liquidity and Solvency on Profitability

To test the third hypothesis (H_3), liquidity (X_1) and solvency (X_2) were simultaneously analyzed to determine their combined effect on profitability (Y). Liquidity was represented by the Current Ratio (CR) and Quick Ratio (QR), while solvency was measured using the Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER). Profitability was measured using Return on Assets (ROA) and Return on Equity (ROE). Multiple linear regression analysis was then conducted using IBM SPSS Statistics 25.

The results are presented in Figure 3

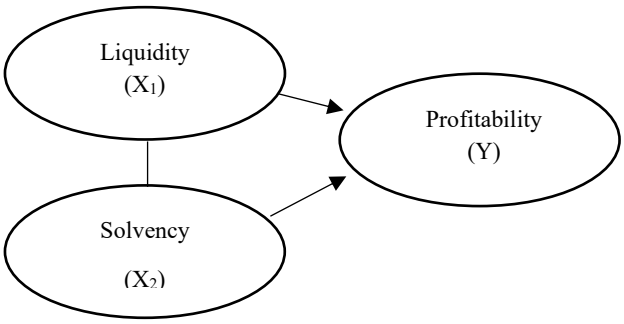


Figure 3.
Resukt of Multiple Linear Regresion Analysis (X_1 and X2 on Y)
Source: Processed data, 2026.

$$\Upsilon = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

$$\Upsilon = 30{,}225 + 1{,}389\, X_1 - 15{,}794\, X_2 + \varepsilon$$
$$R = 0{,}793 \quad R^2 = 0{,}629$$
$$F_{statistic} = 39{,}902 \; and \; F_{table} = 3{,}20$$
$$Sig. = 0{,}000 \; or \; p = 0{,}000$$

Description:

Y	: Profitability
α	: Constant
β_1	: Regression coeffcient of liquidty
β_2	: Regression coeffcient of solvency
X_1	: Liquidity
X_2	: Solvency
ε	: Error / residual

Based on the results presented in Figure 3, the multiple linear regression equation is as follows: $Y = 30.225 + 1.389X_1 - 15.794X_2$. The regression equation indicates the simultaneous effect of liquidity (X_1) and solvency (X_2) on profitability (Y). The constant value of 30.225 indicates that profitability is estimated at 30.225 when both liquidity and solvency are assumed to remain constant. Furthermore, the regression coefficient of liquidity (X_1) is 1.389, indicating a positive relationship between liquidity and profitability. This means that every one-unit increase in liquidity is predicted to increase profitability by 1.389 units, assuming solvency remains constant. In contrast, the regression coefficient of solvency (X_2) is -15.794, indicating a negative relationship between solvency and profitability. This suggests that every one-unit increase in solvency is predicted to decrease profitability by 15.794 units, assuming liquidity remains constant. The calculated F-value is 39.902, which is greater than the F-table value of 3.19. In addition, the significance value is 0.000, which is lower than the significance level of 0.05. These findings indicate that the regression model is statistically significant. Therefore, liquidity (X_1) and solvency (X_2) simultaneously have a significant effect on profitability (Y) in health sub-sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period. Accordingly, hypothesis 3 (H_3) is accepted. The coefficient of determination (R^2) is 0.629. This indicates that liquidity and solvency jointly explain 62.9% of the variation in profitability, while the remaining 37.1% is explained by other variables outside the scope of this study.

Hypothesos Test

Table 3 Hypothesis Testing Results

No	Hypothesis	$t_{statistic}$	$F_{statistic}$	Comparison	t_{table}	F_{table}	Description
1	$X_1 > Y$	4.609		>	1.677		Significant effecr
2	$X_2 > Y$	-8.676		>	1.677		Significant effecr
3	$X_1, X_2 > Y$		39.902	>		3.20	Significant effecr

Source: Processed data, 2026.

Based on the statistical analysis, the partial (t-test) and simultaneous (F-test) hypothesis testing results are explained as follows;

First, the partial test for liquidity (X1) yielded a $t_{statistic}$ of 4.609. Comparing this to the t_{table} value of 1.677 indicates that $t_{statistic} > t_{table}$ (4.609 > 1.677). Thus, H_0 is rejected and H_1 is accepted, proving that liquidity (X1) has a significant partial effecr on profitability (Y) among healthcare sub-sector companies listed on the Indonesia Stock Exchange for the 2020-2024 period.

Second, the partial test for solvency (X_2) showed a $t_{statistic}$ of -8.676. In absolute terms, the value exceeds the table threshold (-8.676 > 1.677). Consequently, H_0 is rejected and H_2 is accepted, confirming that solvency (X2) partially has a significant effect on profitability (Y) within the same scope and period.

Finally, the simultaneous test (F-test) resukted in a $F_{statistic}$ of 39.902, which is higher than the F_{table} value of 3.20 (39.902 > 3.20). Therefore, H_0 is rejected and H_3 is accepted. It is

concluded that liquidity (X_1) and solvency (X_2) simultaneously exert a significant effect on profitability (Y) in healthcare sub-sector companies listed on the Indonesia stock Exchange from 2020 to 2024.

Discussion

The Effect of Liquidity on Profitability

The results of this study indicate that liquidity has a positive and significant effect on profitability (ROA) in healthcare sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period. This finding indicates that a company's ability to manage current assets, such as cash, receivables, and inventory, can support smooth operations and improve the efficiency of working capital use, thus impacting profit growth. In the healthcare industry, the availability of current assets is a crucial factor in ensuring continuity of services, procurement of medicines, and medical devices, especially during the post-pandemic recovery period. These results align with the theory that healthy liquidity reflects a company's ability to meet short-term obligations while supporting increased profitability (Kasmir, 2019; Scott, 2017; Fahmi, 2017; Munawir, 2014). Furthermore, these findings support research by Astuti (2021), Sawitri (2025), Pradipta and Riharjo (2020), and Melati and Ilhamsyah (2024), which found that good liquidity management contributes to increased profitability. However, these results differ from research by Syahpoetri and Suhartono (2024), Lusiana and Avriyanti (2023), and Novita et al. (2022), which found that the effect of liquidity on profitability was insignificant or even negative. This difference is likely due to different industry characteristics, with the healthcare sector being more dependent on the availability of working capital to support ongoing operations.

The Effect of Solvency on Profitability

The results show that solvency has a negative and significant effect on profitability. This finding indicates that the higher a company's debt level, the greater the interest expense and financial risk it must bear, resulting in a tendency for corporate profits to decline. This situation suggests that increased leverage in healthcare sub-sector companies during the study period has not been able to generate returns higher than their financing costs. This finding is consistent with the financial leverage theory proposed by Van Horne and Wachowicz (2012), Sartono (2016), Brigham and Houston (2021), Weston and Copeland (2010), and Gitman (2015), which states that excessive use of debt can reduce profitability due to increased financial burdens. This study's findings also align with those of Sianturi (2023), Yunita and Aminatuzzuhro (2025), Wati et al. (2025), and Suwita et al. (2024), which found a negative effect on profitability. Conversely, this finding differs from the research of Christina et al. (2025) in the banking sector, which found a positive effect, presumably due to differences in capital structure characteristics across industries.

The Effect of Liquidity and Solvency on Profitability

Simultaneous testing results indicate that liquidity and solvency together significantly influence the profitability of healthcare sub-sector companies listed on the IDX for the 2020–2024 period. These findings indicate that profitability is influenced not only by a company's ability to meet short-term obligations, but also by the effectiveness of its capital structure and debt management. The research findings support the theory of Hery (2017; 2019), Rustiana (2017), and Sumarsan (2017), which states that profitability performance is the result of a balanced integration of liquidity and solvency management. Furthermore, these results reinforce research by Musriyah and Simangunsong (2024), Rohendi and Sudradjat (2021), Yusuf et al. (2026), Ratnasari et al. (2024), and Nurhamdi et al. (2023), which found that the combination of working capital management and debt structure simultaneously contributes

significantly to increased profitability. Therefore, companies need to maintain a balance between the adequacy of current assets and the use of debt to improve operational efficiency while maximizing profits.

5. Conclusion And Suggestion

This study shows that liquidity and solvency are factors influencing the profitability of healthcare sub-sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period. Optimally managed liquidity can improve operational efficiency and support profit growth, while high solvency tends to reduce profitability due to increased debt burdens. Simultaneously, both variables significantly influence profitability, making a balance in current asset management and capital structure a crucial factor in maintaining financial stability and improving company performance sustainably.

Future research is recommended to add other variables that potentially influence profitability and extend the observation period to obtain more comprehensive results. For companies, liquidity management and capital structure need to be optimized to increase profitability without excessively increasing financial risk. For investors, investment decision analysis should not only focus on profitability but also consider the company's liquidity and solvency as indicators of financial health.

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