THE EFFECT OF LIQUIDITY AND SOLVENCY RATIOS ON THE FINANCIAL PERFORMANCE OF PHARMACEUTICAL COMPANIES ON THE INDONESIA STOCK EXCHANGE IN THE PERIOD 2021 – 2023

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ABSTRACT
In analyzing the financial condition of a company, it is very important to conduct a financial ratio analysis. Where the financial ratio has an important role in knowing how much influence the financial condition has on the future of the company for the better. This study was conducted to obtain empirical evidence regarding the effect of Liquidity and Solvency on the Financial Performance of pharmaceutical companies on the IDX. Data acquisition is generated from secondary data calculated every month on the financial reporting system processed on the IDX website. The sampling technique used is purposive sampling. The sample used in this study was 33 monthly reports from 11 companies for three years, namely the period 2021-2023. Data was collected by data collection and data management and analyzed using multiple linear regression analysis. The results of this study indicate that partially Liquidity has a positive and significant effect on Financial Performance and Solvency has a positive and significant effect on Financial Performance. In addition, simultaneously liquidity and solvency affect the financial performance of pharmaceuticals on the IDX in 2021-2023.

Keywords: Liquidity, Solvency and Financial Performance

INTRODUCTION
The rapid development of technology in Indonesia has affected all sectors of the economy, especially in the pharmaceutical business sector. Indonesia currently ranks 4th as the country with the largest population in the world, making the pharmaceutical industry in Indonesia a very potential market for drug consumption. During the Covid-19 pandemic, the pharmaceutical industry experienced a growth of 10 percent in 2021, as conveyed by the General Chairperson of the Indonesian Pharmaceutical Companies Association (GPFI), F. Tirto Kusnadi, at the XVI GPFI National Conference (Munas) at the Merusaka Hotel, Nusa Dua, Bali on Thursday (24/3). However, the imbalance due to the high demand for drugs is not balanced by Indonesia's independence in the pharmaceutical sector. Currently, 95% of raw materials for drugs are still imported from abroad, with the majority coming from China (60%) and India (30%).
In general, financial performance measurement is used to see the prospects for a company's financial growth and development. Financial performance measurement can be analyzed using several types of analysis tools, one of which is using ratio analysis. Furthermore, by using ratio analysis, the company can predict the financial condition as seen from the company's financial statements (Hery, 2016:139). Financial performance is not significantly affected by the liquidity ratio when the current ratio is used in its calculation, as found by Sulthon Badar Al Rahman and Dedi Suselo (2022).
Solvency ratio, by comparing debt to assets, shows how important a company's financial health is to its overall success. The results of this ratio analysis describe the company's financial condition, meaning whether there is an increase or decrease in each specified period. The goal is to assess the effectiveness of decision making by the company in carrying out its activities at a specified time. The rapid development of technology in Indonesia affects all sectors of the economy, especially in the pharmaceutical business sector. Indonesia currently ranks 4th as the country with the largest population in the world, making the

pharmaceutical industry in Indonesia a very potential market for drug consumption. During the Covid-19 pandemic, the pharmaceutical industry experienced a growth of 10 percent in 2021, as conveyed by the General Chairperson of the Indonesian Pharmaceutical Companies Association (GPFI), F. Tirto Kusnadi, at the XVI GPFI National Conference (Munas) at the Merusaka Hotel, Nusa Dua, Bali on Thursday (24/3). However, the imbalance due to the high demand for drugs is not balanced by Indonesia's independence in the pharmaceutical sector. Currently, 95% of raw materials for drugs are still imported from abroad, with the majority coming from China (60%) and India (30%).

In general, measuring financial performance is used to see the prospects for a company's financial growth and development. Measuring financial performance can be analyzed using several types of analysis tools, one of which is using ratio analysis. Furthermore, by using ratio analysis, the company can predict the financial condition as seen from the company's financial statements (Hery, 2016:139). Financial performance is not significantly affected by the liquidity ratio when the current ratio is used in its calculation, as found by Sulthon Badar Al Rahman and Dedi Suselo (2022).

Solvency ratio, by comparing debt to assets, shows how important a company's financial health is to its overall success. The results of this ratio analysis describe the company's financial condition, meaning whether there is an increase or decrease in each specified period. The goal is to assess the effectiveness of decision making by the company in carrying out its activities at a specified time.

Practically, there are 5 (five) types of financial ratios, namely liquidity ratio, solvency ratio (leverage), activity ratio, profitability ratio and market ratio. In this study, the financial ratio variables used are liquidity ratio, solvency ratio (leverage). The company's financial performance in this study was measured using the profitability ratio, namely Return On Asset (ROA). Previous research also shows that ratio analysis can provide important information regarding the company's financial health and assist in making investment decisions (Iqlima Nurriyah, 2022). In the context of the Indonesian pharmaceutical industry which is growing rapidly but facing challenges in terms of dependence on imported raw materials, an in-depth understanding of financial performance through ratio analysis is becoming increasingly relevant to ensure the sustainability and growth of the company in the future (Munawir, 2021). There is a table that includes Current Assets, Total Debt, Performance and Total Assets to Pharmaceuticals verified on the IDX since 2021-2024 in the form of:

Table 1. Phenomenon (In Rupiahs)

No	Issuer code	Year	Sum of Debt	Current assets	Sum of Assets
1	DVLA	2021	925.123.456.000.000	25.125.000.000	18.100.350.000.000
		2022	1.120.234.567.000.000	27.890.000.000	19.200.450.000.000
		2023	1.245.678.912.000.000	30.560.000.000	21.310.980.000.000
2	INAF	2021	1.015.345.678.000.000	15.987.000.000	20.230.450.000.000
		2022	1.400.987.654.000.000	18.435.000.000	22.340.765.000.000
		2023	1.623.456.789.000.000	21.670.000.000	20.450.865.000.000
3	KAEF	2021	810.123.987.000.000	30.785.000.000	260.765.000.000

		2022	900.234.567.000.000	33.150.000.000	290.432.000.000
		2023	1.050.345.678.000.000	36.520.000.000	30.020.500.000.000

Based on table 1, several financial phenomena of the company can be observed. Total debt of PT. DVLA in 2021 amounted to IDR 925,123,456,000, increased in 2022 to IDR 1,120,234,567,000, and continued to increase to IDR 1,245,678,912,000 in 2023. This increase was followed by an increase in the company's total assets from IDR 18,100,350,000,000 in 2021 to IDR 21,310,980,000,000 in 2023, as well as an increase in current assets from IDR 25,125,000,000 in 2021 to IDR 30,560,000,000 in 2023. In addition, PT. INAF also showed a similar trend, where total debt in 2021 of Rp. 1,015,345,678,000 increased to Rp. 1,623,456,789,000 in 2023. The company's current assets increased from Rp. 15,987,000,000 in 2021 to Rp. 21,670,000,000 in 2023, and total assets also increased from Rp. 20,230,450,000,000 in 2021 to Rp. 20,450,865,000,000 in 2023. The same trend was also seen in PT. KAEF, where total debt recorded at Rp. 810,123,987,000 in 2021 increased to Rp. 900,234,567,000 in 2022, and continues to increase to Rp. 1,050,345,678,000,000 in 2023. Current assets of PT. KAEF also showed an increase from Rp. 33,150,000,000 in 2022 to Rp. 36,520,000,000 in 2023, with total assets reaching Rp. 30,020,500,000,000 in 2023.

LITERATURE REVIEW

According to Kasmir (2016:130), the liquidity ratio or working capital ratio is a ratio used to measure how liquid a company is, by comparing the components in the balance sheet, namely total current assets with total current liabilities (short-term debt). The liquidity ratio is important because failure to pay obligations can lead to bankruptcy of the company. Based on the understanding above, it can be concluded that the liquidity ratio is used to describe how liquid a company is and the company's ability to settle short-term obligations. The higher the company's liquidity figure, the better.

The liquidity ratio in this study is measured by the Current Ratio, the Current Ratio shows the amount of current liabilities guaranteed by current assets. The higher the comparison of current assets with current liabilities, the higher the company's ability to cover its short-term liabilities (Hantono, 2018). In practice, companies that are able to pay short-term liabilities on time according to the maturity date that has been set, then the company is in a liquid state, meaning that it has a current asset position that is greater than current liabilities.

Solvency Ratio or Leverage ratio is a ratio used to measure the extent to which a company's assets are financed with debt. Solvency Ratio (Dewa and Sitohang, 2015:9), is used to measure the company's ability to meet its long-term obligations. The use of solvency ratios for companies provides many benefits that can be reaped, both low and high ratios (Kasmir, 2016:151).

The solvency ratio in this study is measured by the Debt to Equity Ratio. According to Hery (2017) Debt to Equity Ratio is used as an indicator to measure the extent to which a company finances all of its assets by relying on debt using its own capital (owner). If the Debt to Equity Ratio (DER) value increases from the previous year, it is said to be solvable, and vice versa if the Debt to Equity Ratio (DER) value decreases from the previous year, it is said to be insolvent. The higher the DER indicates

the composition of the total debt is greater, so that the impact is greater on the interest burden on creditors.

Financial performance is a measure that shows how well a company achieves its financial goals in a certain period. In other words, financial performance reflects the financial health and success of the company in managing its resources. Harmono (2017:23), explains that the company's financial performance is generally seen from net income (profit), return on investment, and earnings per share. Meanwhile, according to Sjahrial et al. (2017:213), states that the assessment of a company's financial performance is how management manages and evaluates based on predetermined performance criteria such as budgets, plans and targets.

According to Kasmir (2016:130), the liquidity ratio or working capital ratio is a ratio used to measure how liquid a company is, by comparing the components in the balance sheet, namely total current assets with total current liabilities (short-term debt). The liquidity ratio is important because failure to pay obligations can lead to bankruptcy of the company. Based on the understanding above, it can be concluded that the liquidity ratio is used to describe how liquid a company is and the company's ability to settle short-term obligations. The higher the company's liquidity figure, the better.

The types of liquidity ratios that are often used to measure a company's capabilities are: :

a. *Current Ratio*

It is a ratio used to measure a company's ability to pay short-term liabilities or debts that are due immediately when billed in their entirety. In other words, how much current assets are available to cover short-term liabilities that are due soon. How to calculate the Current Ratio using the formula:

$$\textbf{Current Ratio} = \frac{\textit{Aktiva Lancar}}{\textit{Hutang Lancar}} \times 100\ \%$$

b. *Quick Ratio*

It is a ratio that shows the company's ability to meet or pay current debts with current assets without taking into account the value of inventory. This means ignoring the value of inventory, by subtracting it from total current assets. This is done because inventory is considered to require a relatively longer time to be cashed, if the company needs quick funds to pay its obligations compared to other current assets. How to calculate the Quick Ratio using the formula:

$$\textbf{Quick Ratio} = \frac{\textit{Aktiva Lancar} - \textit{Persediaan}}{\textit{Hutang Lancar}} \times 100\ \%$$

c. *Cash Ratio*

It is a ratio used to measure how much cash is available to pay debts. The availability of cash can be shown from the availability of cash or cash equivalents such as checking accounts or savings in banks (which can be withdrawn at any time). It can be said that this ratio shows the company's real ability to pay its short-term debts. How to calculate Cash Ratio using the formula:

$$Cash\ Ratio = \frac{Kas}{Hutang\ Lancar} \times 100\ \%$$

Solvency Ratio is a ratio used to measure the extent to which a company's assets are financed with debt. Solvency Ratio (Dewa and Sitohang, 2015:9), is used to measure the company's ability to meet its long-term obligations. The use of solvency ratios for companies provides many benefits that can be reaped, both low and high ratios (Kasmir, 2016:151). Based on the above understanding, it can be concluded that the solvency ratio is used to measure how much debt burden the company bears and the company's ability to pay its long-term debt.

The types of solvency ratios that are often used to measure a company's capabilities are: :

a. *Debt to Assets Ratio* (Rasio Hutang Terhadap Total Aktiva)

It is a debt ratio used to measure the comparison between total debt and total assets. In other words, how much of the company's assets are financed by debt or how much the company's debt affects asset management. From the measurement results, if the ratio is high, it means that funding with debt $Cash\ Ratio$ = Cash + Bank Current Liabilities is increasing. So it is increasingly difficult for the company to obtain additional loans because it is feared that the company will not be able to cover its debts with the assets it owns. How to calculate the Debt to Assets Ratio using the formula:

$$Debt\ to\ Assets\ Ratio = \frac{Total\ Utang}{Total\ Aktiva} \times 100\ \%$$

b. *Debt to Equity Ratio* (Rasio Hutang Terhadap Ekuitas)

It is a ratio used to assess debt and capital. This ratio is sought by comparing all debts, including current debts with all capital (equity). This ratio functions to find out each own capital that is used as collateral for debt. The greater this ratio, the less profitable it will be for the company, because the greater the risk borne for failure that may occur in the company. How to calculate Debt to Equity Ratio using the formula:

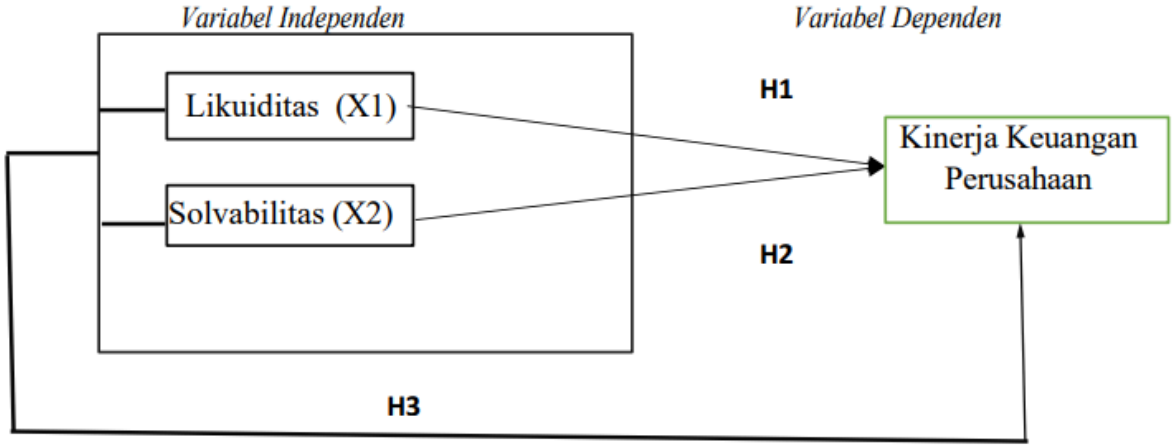
$$Debt\ to\ Equity\ Ratio = \frac{Total\ Utang}{Modal\ Sendiri} \times 100\ \%$$

c. *Debt to Capital Ratio* (Rasio Hutang Terhadap Modal)

The debt to equity ratio is one of the tools that measures a company’s risk, primarily based on its liabilities. The debt to equity ratio, also referred to as the D/C ratio, measures how much debt a company is using to fund its operational and functional expenses versus using its capital. Capital consists of the assets and cash a business has on hand. The purpose of the D/C ratio is to measure the amount of risk a company is taking on regarding debt and overall financial operations. How to calculate Debt to Equity Ratio using the formula:

$$Debt\ to\ Capital\ Ratio = \frac{Total\ Utang}{(Total\ Utang + Ekuitas\ Pemegang\ Saham)}$$

Conceptual Framework



Gambar 1.1 Kerangka Konseptual

METHODS

This study uses quantitative data analysis methods. Quantitative data analysis methods are research approaches that use data in the form of numbers or numeric variables to explore, explore and understand a phenomenon originating from the management of secondary data in the form of financial reports that have been published in pharmaceutical companies on the Indonesia Stock Exchange. The type of research used is quantitative descriptive research. The formulation of quantitative descriptive problems is a formulation of problems that contain statements about the state of independent variables, either one variable or more (stand-alone variables). This research is explanatory. Explanatory research is research that aims to analyze the causal relationship between variables by testing hypotheses in order to strengthen or reject the existing research hypothesis. The population in this study were companies in the pharmaceutical sector listed on the Indonesia Stock Exchange (IDX), for the period 2021-2023. The research sample was companies in the pharmaceutical sector listed on the IDX, covering the period 2021-2023 as many as 33 samples from 11 pharmaceutical companies listed on the IDX. The financial report data used were annual financial reports.

The criteria used in this study are as follows:

Table 2. The Selection of Sample

NO	Criteria	TOTAL
1	Pharmaceutical Companies listed on the Indonesia Stock Exchange/BEI for the period 2021-2023	39
2	Companies that did not publish financial reports consecutively during 2021-2023	(0)
3	Banking Companies that experienced losses during the period 2021-2023	0
4	Sum of company samples	11
5	Sum of research samples (11 companies X 3 years)	33

Source : Data processed (Researcher, 2024)

The type of data used by researchers is secondary data obtained indirectly through intermediaries (obtained and recorded by other parties). Secondary data is information that has been collected by other parties previously and obtained indirectly. Secondary data can come from various sources, such as surveys, publications, and databases. The data source used by researchers is external data. External sources are information that comes from outside the company or research location, and is available to the public. The data used is in the form of annual financial reports of companies listed on the Indonesia Stock Exchange through access www.idx.co.id. The data analysis method used in the study is multiple linear regression analysis.

RESULT

Descriptive Statistics

The sample (N) used in this research is a financial report on the Influence of Liquidity and Solvency Ratios on the Financial Performance of Pharmaceutical Companies on the Indonesia Stock Exchange for the 2021-2023 Period. The samples obtained amounted to 33 samples. The calculation results can be presented in the following table:

Table 3 descriptive statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Rasio_Likuiditas_X1	33	2.20	3.40	2.6921	.29718
Solvabilitas_X2	33	1.10	1.80	1.4474	.18452
Kinerja_Keuangan_Y1	33	7.90	10.20	8.9526	.57333
Valid N (listwise)	33				

Sumber Data Primer Yang Diolah , 2024

Table 3 shows the minimum, maximum, mean, and standard deviation values of the variables. **Liquidity (X1), Solvency (X2),** and **Financial Performance (Y1)** as follows:

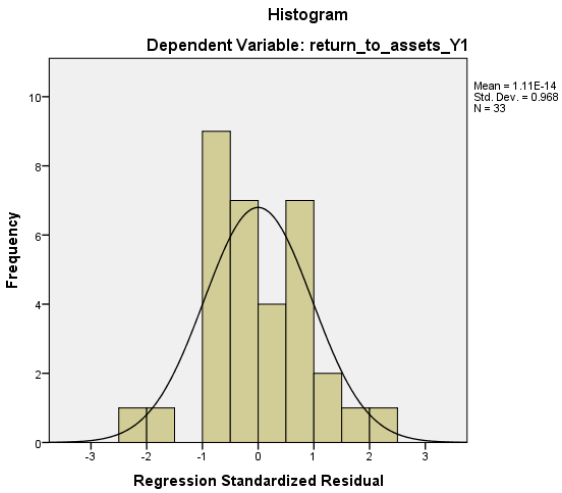
1. **The Liquidity variable (X1),** as measured by the Liquidity Ratio, has a sample of 33, with a minimum value of 2.20, a maximum value of 3.40, a mean value of 2.6921, and a standard deviation of 0.29718. This shows that the average pharmaceutical company on the Indonesia Stock Exchange has a fairly good liquidity ratio in meeting its short-term obligations.
2. **The Solvency variable (X2),** as measured by the Solvency Ratio, has a sample of 33, with a minimum value of 1.10, a maximum value of 1.80, a mean value of 1.4474, and a standard deviation of 0.18452. This reflects that the debt-to-equity ratio in pharmaceutical companies varies, but is generally within moderate limits.
3. **The Financial Performance variable (Y1),** measured by Return on Assets (ROA), has a sample of 33, with a minimum value of 7.90, a maximum value of 10.20, a mean value of 8.9526, and a standard deviation of 0.57333. This value shows that the average financial performance of pharmaceutical companies, in terms of return on assets, is relatively stable with good financial performance

Classical Assumption Test Results

The Normality

The Normality Test is attempted to test whether the information to be tested is distributed fairly or unfairly. This test is attempted by analyzing the histogram graph that is spread around and follows the diagonal line and using normal probability plot analysis.

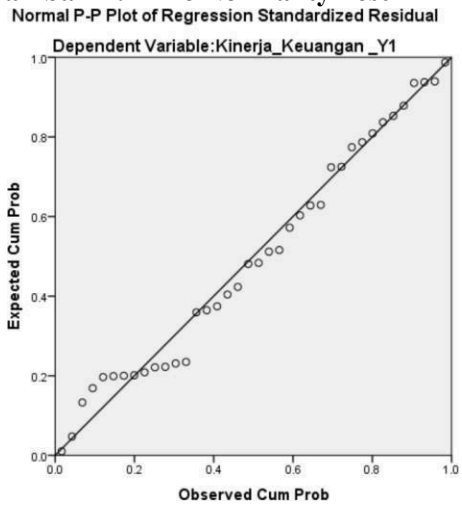
Figure 3. The Histogram Normality Test



Processed Primary Data Sources, 2024

In Figure 2. above, a symmetrical sloping curve (U) can be seen, so it can be concluded that the data is normally distributed.

Gambar 4. The Normality Test P- P Plot



Processed Primary Data Sources, 2024

In Figure 3. above, it appears that the points are spread out, following the direction of the diagonal line so it can be concluded that the data above is fairly distributed.

Tabel 4 The Normality Test
of
Kolmogrov Smirnov

One-Sample
Kolmogorov-Smirnov Test

		Unstandardized Residual
N		33
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.25623049
Most Extreme Differences	Absolute	.114
	Positive	.114
	Negative	-.085
Test Statistic		.114
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.

b. Calculated from data.

IV Processed Primary Data Sources, 2024

Table 4 shows that the tester of whether the data is fairly distributed can use the non-parametric Kolmogorov Smirnov test, which if the significance value > 0.05 is stated to be normally distributed and if the significance value < 0.05 can be stated to be abnormally distributed.

Multicollinearity Test

The purpose of the Multicollinearity Test is to test whether there will be a correlation between independent variables in the regression model. Multicollinearity testing is carried out by looking at the tolerance and VIF values between independent variables..

Tabel 5 Uji Multikolineairtas

Coefficients[a]

	Collinearity Statistics

Model		Tolerance	VIF
1	Rasio_Likuiditas_X1	.833	1.201
	Solvabilitas_X2	.833	1.201

Dependent Variable: Kinerja_Keuangan_Y1

Processed Primary Data Sources, 2024

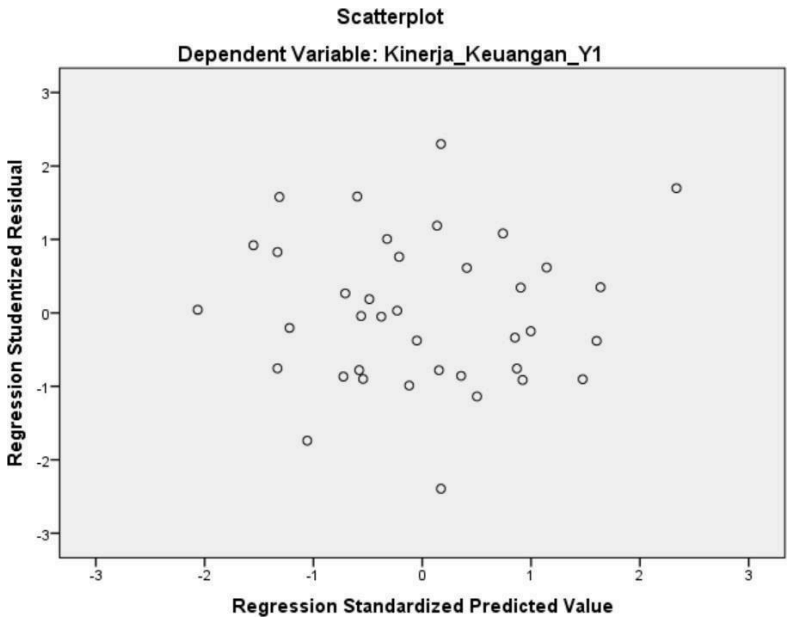
Table 5 shows that the Tolerance value for the **Liquidity (X1)** and **Solvency (X2)** variables is 0.833 each, indicating that the tolerance value is above the threshold of ≥ 0.10. This indicates that there is no high correlation problem between the independent variables. In addition, the Variance Inflation Factor (VIF) value for both variables (X1 and X2) is 1.201, which is still below the threshold of ≥ 10. This indicates that there is no multicollinearity between the **Liquidity and Solvency** variables in this study.

Heteroscedasticity Test

The Heteroscedasticity Test aims to test whether there is inequality in the variance of the residuals of one observation to another in the regression model. This test uses a Scatterplot Diagram where if there is a certain pattern, it means that heteroscedasticity occurs, while if there is no clear pattern, it means that heteroscedasticity does not occur.

Gambar 5

Uji Heterokedastisitas



Processed Primary Data Sources, 2024

Based on Figure 6 (scatterplot), it can be seen that the points are spread out from the Y and X axes so that the data is normally distributed, so it can be concluded that heteroscedasticity occurs in the regression model.

Hypothesis testing is tested using multiple linear regression analysis. The regression model used is:

TABEL 6 Coefficients[a]

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.478	.441		7.888	.000
	Rasio_Likuiditas_X1	1.305	.160	.642	8.171	.000
	Solvabilitas_X2	1.401	.257	.428	5.447	.000

a. Dependent Variable: Kinerja_Keuangan_Y1

Processed Primary Data Sources, 2024

From the results of the regression analysis, the following information was obtained:

1. **Liquidity Ratio (X1):**

The calculated t value of the Liquidity ratio variable is 8.171, the t table value is obtained from the degrees of freedom. Degrees of freedom n-k = 33-3 = 30, then the t table Is 2.032. So it can be concluded that the calculated t> t table (8.171> 2.035) whichh means that Liquidity has an effect on Financial Performance (Return to Asset), while when viewed from the value (Sig.) is 0.000. Because the calculated t is greater than the t table and the Sig. value <0.05, it can be concluded that the Liquidity Ratio has a significant effect on Financial Performance (Return to Asset).

2. **Solvency (X2):**

The calculated t value of the Solvency variable is 5.447, the t table value is obtained from the degrees of freedom. Degree of freedom n-k = 33-3 = 30, then t table is 2.032. So it can be concluded that t count> t table (5.447> 2.035) which means that Solvency has an effect on Financial Performance (Return to Asset), while when viewed from the value (Sig.) Is 0.000. Because t count is greater than t table and the value of Sig. <0.05, it can be concluded that Solvency has a significant effect on Financial Performance (Return to Asset).

Hypothesis Determination Coefficient

The determination coefficient is used to determine the effect of the independent variable on the dependent variable. If the value of the determination coefficient is higher or almost reaches one, then

it can be said that the strength of the independent variable is getting stronger against the dependent variable.

Tabel 7
Uji Koefisien Determinasi

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.906 a	.820	.810	.26345	1.378

b. Predictors: (Constant), Solvabilitas_X2, Rasio_Likuiditas_X1

c. Dependent Variable: Kinerja_Keuangan_Y1

Processed Primary Data Sources, 2024

In table 7 shown, the results of the determination coefficient analysis show an **Adjusted R Square** value of **0.810** or **81.0%**. This means that 81% of the variation in the dependent variable (Return to Assets) can be explained by the independent variables including the **Solvency Ratio (X2)** and the **Liquidity Ratio (X1)**. While the rest, 19%, is explained by other factors outside the model being tested.

PARTIAL HYPOTHESIS TESTING (T-TEST)

Partial test (T-test) shows that all independent variables entered have an effect on the dependent variable. Where the criteria are if the level of $\alpha = 0.05$ and if the p value $<\alpha$.

Tabel 8 Uji Hipotesis Parsial

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.478	.441		7.888	.000
	Rasio_Likuiditas_X1	1.305	.160	.642	8.171	.000
	Solvabilitas_X2	1.401	.257	.428	5.447	.000

d. Dependent Variable: Kinerja_Keuangan_Y1

Processed Primary Data Sources, 202

From Table 8, it can be concluded as follows:

a) **Constant (t.count: 7.888)**: The t-value of 7.888 indicates that the constant in this model is statistically significant (with a p-value of 0.000). This means that even though the Liquidity Ratio and Solvency variables are zero, Financial Performance still has a significant basic value.

b) **Liquidity Ratio (t.count: 8.171)**: The t-value of 8.171 for the Liquidity Ratio variable (X1) is greater than the critical value (for example, 2.035 at a significance level of 5% and a certain degree of freedom). With a significance value of 0.000, this means that the Liquidity Ratio has a significant effect on Financial Performance. This value indicates that this variable contributes strongly to explaining variations in Financial Performance.

c) Solvency (t.count: 5.447): The t-value of 5.447 for the Solvency variable (X2) also shows statistical significance at the 0.05 level of significance, because the p-value is 0.000. This indicates that Solvency has a significant influence on Financial Performance.

SIMULTANEOUS HYPOTHESIS TESTING (F TEST)

The F statistic test shows that all independent variables entered have an effect on the dependent variable. Where the criteria are if the level of $\alpha = 0.05$ and if the p value $<\alpha$.

- **Tabel 9 UJI HIPOTESIS SIMULTAN**

ANOVA[B]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.068	2	5.534	79.733	.000[b]
	Residual	2.429	35	.069		
	Total	13.497	37			

e. Dependent Variable: Kinerja_Keuangan_Y1

f. Predictors: (Constant), Solvabilitas_X2, Rasio_Likuiditas_X1

Sumber Data Primer Yang Diolah , 2024

Table 8, the results of the simultaneous test (F Test) show that both independent variables, namely the **Liquidity Ratio (X1)** and **Solvency (X2)**, together have a significant effect on the dependent variable **Financial Performance (Y1)**. The calculated **F value** is **79.733** with a significance value of **0.000**, which means it is smaller than the α level = 0.05.

This shows that the regression model used is statistically significant, and the independent variables included in the model have a significant effect on the dependent variable. Thus, it can be concluded that the Liquidity Ratio (X1) and Solvency (X2) have a significant effect in predicting the company's Financial Performance (Y1)

PEMBAHASAN

Based on the results of the study, it shows that the liquidity ratio has a positive and significant effect on the financial performance of pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period. The t-test produces a t-value of 8.171 with a significance value of 0.000, which means that the alternative hypothesis (Ha) is accepted and the null hypothesis (Ho) is rejected. This finding is in line with previous studies which also found that companies with good liquidity tend to have a

greater ability to meet short-term obligations, which has a positive impact on profitability, measured by Return on Assets (ROA). In a study by Nita Ruth Sari Sitepu (2022), the liquidity ratio was also found to have a significant effect on the financial performance of pharmaceutical companies, although the period analyzed was 2016-2020. The study showed that the liquidity ratio contributed 89.61% to financial performance, while the solvency ratio did not show a significant effect in the same period. This confirms the importance of the liquidity ratio in the context of the financial performance of pharmaceutical companies. high reflects the use of greater debt to fund operational activities, which contributes to increased ROA. However, in a study by Nita Ruth Sari Sitepu (2022), the solvency ratio did not show a significant effect on financial performance in the 2016-2020 period. This shows that although solvency is important, its impact may vary depending on the time context and market conditions. Therefore, the results of this study emphasize that although there is consistency in the effect of liquidity and solvency ratios on financial performance, external and temporal factors must be considered in further analysis.

CONCLUSION

From the results of data analysis, hypothesis testing, and discussion, the following conclusions can be drawn from this study. Partially, Liquidity has a positive and significant effect on the financial performance of pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) during the period 2021 to 2023. The t-test produces a t-count value of 8.171 with a significance value of 0.000, which means that the alternative hypothesis (Ha) is accepted and the null hypothesis (Ho) is rejected and partially solvency also shows a positive and significant effect on the financial performance of pharmaceutical companies on the IDX. With a t-count of 5.447 and a significance value of 0.000, these results support the acceptance of the alternative hypothesis (Ha) accepted and the null hypothesis (Ho) rejected. Simultaneously, Liquidity and Solvency have a significant effect on the Financial Performance of Pharmaceutical Companies on the Indonesia Stock Exchange for the period 2021 to 2023. An R Square of 0.820 is obtained, which means that if converted into a percentage it will produce an R Square of 82%..

LIMITATION

The limitations of this study related to the title "The Effect of Liquidity and Solvency Ratios on the Financial Performance of Pharmaceutical Companies on the Indonesia Stock Exchange for the 2021-2023 Period" include several aspects. First, the study only focuses on pharmaceutical companies listed on the IDX with a relatively short time period, namely 2021 to 2023, so the results cannot be generalized to other sectors or longer periods. Second, the independent variables analyzed are limited to liquidity and solvency ratios, while other factors that may affect financial performance, such as profitability, operational efficiency, or macroeconomic conditions, are not included in the research model. In addition, the relatively small sample size, namely 33 reports from 11 companies, may limit the study's ability to describe the financial performance of the pharmaceutical industry as a whole. This study also does not consider external influences, such as economic policies, fluctuations in raw material prices, or the impact of the pandemic, which can significantly affect the results. Finally, the analysis method used is only multiple linear regression, without using other approaches that might provide additional insight into the relationship between variables.

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