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THE IMPACT OF FINANCIAL RATIOS ON PROFIT GROWTH IN FOOD AND BEVERAGE MANUFACTURING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

Rahadian Amrullah[1], Fadli Nuryasin[2]
[1,2]Universitas Pamulang
Email: rahadianamrullah24@gmail.com

ABSTRACT

The food and beverage industry are a cornerstone of the global economy, providing essential products that meet basic human needs while significantly contributing to economic growth. In Indonesia, the food and beverage sub-sector plays a vital role in strengthening the national economy, generating employment, and boosting export earnings. This study examines the impact of the Current Ratio (CR), Return on Assets (ROA), and Debt to Equity Ratio (DER) on Profit Growth (PL) in manufacturing companies within the food and beverage sub-sector listed on the Indonesia Stock Exchange (IDX) from 2013 to 2023. Using secondary data, a quantitative approach was applied, employing the AutoRegressive Distributed Lag (ARDL) model to analyze the relationships between CR, ROA, DER, and PL. The results indicate that CR does not significantly affect PL in the short term but has a significant impact in the long term. ROA has a positive and significant effect on PL in the short term but is not significant in the long term. DER does not significantly affect PL in the short term but has a positive influence in the long term. These findings highlight that CR's influence on PL becomes evident over time, ROA drives short-term profit growth, and DER's impact emerges in the long run. Consequently, effective financial management strategies are crucial for sustaining profit growth in the food and beverage sector amid dynamic economic conditions.

Keywords: Profit Growth, Financial Ratios, Food and Beverage Industry, AutoRegressive Distributed Lag Model

INTRODUCTION

Financial performance is a critical aspect of a company's sustainability and growth, particularly in the manufacturing sector (Pham et al., 2021). One of the key indicators used to assess financial performance is financial ratios, which help measure a company's efficiency, profitability, and overall financial health (Kenedi & Sukmawan, 2022). These ratios are particularly important in analyzing profit growth, as they provide insight into the company's ability to generate earnings over time. In the food and beverage manufacturing industry, financial ratios play a crucial role in evaluating financial stability and predicting future profitability (Yahaya & Nadarajah, 2023). Financial statements are the primary source of information for investors to assess a company's performance, particularly its ability to generate profits (Welc, 2022). These statements enable investors to make informed decisions regarding their investments. A financially sound company is one that maintains healthy financial statements, maximizes profitability, and effectively meets its obligations to investors (Anggriawan et al., 2023).

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The food and beverage manufacturing sector are a vital part of Indonesia’s economy, contributing significantly to national GDP and employment. Companies in this sector face intense competition, fluctuating raw material prices, regulatory requirements, and changing consumer preferences. To maintain profitability and sustain long-term growth, these companies must effectively manage their financial resources. Understanding the relationship between financial ratios and profit growth can help investors, managers, and policymakers make informed decisions regarding investment strategies, business expansion, and financial planning (Kenedi, 2022).

This study focuses on profit growth as a key performance indicator for stakeholders. Stable and sustainable profit growth reflects a company's ability to generate sufficient earnings to support business expansion, distribute dividends to shareholders, and navigate economic challenges. According to (Dianitha et al., 2020) profit growth is measured as the percentage change in a company's profit compared to the previous year. Strong profit growth indicates sound financial health, which in turn enhances the company’s overall value (Barman, 2023).

Profit growth is subject to fluctuations, both in the short and long term, which can impact a company's financial stability and investor confidence. These fluctuations result from various external and internal factors. External factors include economic and political policy changes that affect market conditions and industry competition. Meanwhile, internal factors, such as management decisions regarding operational and investment strategies, also play a crucial role in shaping financial performance (Hanafiyah et al., 2024).

This study examines the impact of three key financial ratios—Current Ratio (CR), Return on Assets (ROA), and Debt to Equity Ratio (DER)—on profit growth in food and beverage manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2013 to 2023. The Current Ratio (CR) reflects a company’s liquidity position and its ability to meet short-term obligations. A higher CR indicates stronger liquidity, which can contribute to financial stability and long-term growth. Return on Assets (ROA) measures a company’s efficiency in utilizing its assets to generate profits. A higher ROA suggests better asset utilization, which can positively influence profit growth. The Debt-to-Equity Ratio (DER) indicates a company’s financial leverage and capital structure. While a higher DER may indicate higher financial risk, it can also reflect a company’s aggressive growth strategy if managed properly.

The selection of these financial ratios is based on their relevance in assessing profitability and financial performance. Prior research has highlighted the significance of these ratios in predicting profit growth, but findings remain mixed across different industries and economic conditions. Therefore, a focused study on the food and beverage manufacturing sector in

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Indonesia is essential to understand industry-specific financial dynamics (Kenedi, 2024).

Understanding the impact of financial ratios on profit growth in manufacturing companies within the food and beverage sub-sector is essential. Such insights can guide decision-makers in formulating effective financial and operational strategies. Financial ratios, a widely used analytical tool, compare key figures from the balance sheet and income statement. To ensure meaningful insights, these ratios should be analyzed over time or benchmarked against industry averages.

Research by (Lubis et al., 2023) highlights that inadequate risk management, particularly in the face of global economic uncertainties, can lead to significant profit fluctuations. These fluctuations not only affect a company's financial performance but may also influence stock prices and investor confidence. Consequently, gaining a deep understanding of the factors that drive profit fluctuations is crucial for financial managers and market analysts in mitigating risks and optimizing company performance.

One important liquidity ratio is the Current Ratio (CR), which measures a company's ability to meet short-term obligations using its current assets. A company that efficiently manages its short-term debt obligations can maintain financial stability and improve overall performance. According to (Desi & Arisudhana, 2023), a higher Current Ratio indicates a company's stronger capacity to enhance profit growth, as it reflects that the company’s assets exceed its liabilities.

Several studies have examined the relationship between Return on Assets (ROA) and profit growth. A study by (Salmah & Ermeila, 2018) found that ROA has a significant impact on earnings growth. Similarly, research by (Desi & Arisudhana, 2023) on food and beverage companies listed on the IDX from 2014 to 2018 concluded that ROA has a positive and significant effect on earnings growth. These findings suggest that companies with higher ROA are more efficient in utilizing their assets to generate profits.

Additionally, research by (Aisyah & Widhiastuti, 2021) found that the Debt-to-Equity Ratio (DER) significantly affects profit growth. Generally, companies with a high DER tend to experience negative effects on profit growth due to increased financial risks associated with higher debt levels. Elevated debt can lead to rising interest costs, reducing the company’s ability to enhance profits. However, effective debt management can mitigate these negative effects, underscoring the importance of sound financial management strategies.

The findings of this study are expected to provide valuable insights for business practitioners, investors, and policymakers. By identifying the financial ratios that significantly influence profit growth, companies can develop more effective financial strategies to enhance

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their profitability. Investors can also use these insights to make better investment decisions, while policymakers can formulate regulations that support sustainable growth in the food and beverage manufacturing sector.

METHOD

This study employs an associative research method with a quantitative approach to examine the influence between variables. The research aims to analyze the relationship between the Current Ratio, Return on Assets, and Debt to Equity Ratio with profit growth in manufacturing companies within the food and beverage sub-sector listed on the Indonesia Stock Exchange (IDX) for the 2013–2023 period. This study relies on secondary data obtained from the IDX, which will be processed using EViews 12. The research population consists of manufacturing companies in the food and beverage sub-sector listed on the IDX during the 2013–2023 period, totaling 27 companies, from which 6 companies were selected as samples.

The data analysis in this study employs the Panel AutoRegressive Distributed Lag (ARDL) approach, a statistical method used to analyze short-term and long-term relationships between variables in panel data. Panel data consists of multiple individuals or entities observed over a certain period. Panel ARDL combines the traditional ARDL model with panel data analysis, allowing it to handle heterogeneity among entities and temporal dynamics (Lima Campos & Cysne, 2025).

Panel ARDL comprises two main components: Autoregressive (AR) and Distributed Lag (DL). The AR component reflects the dependence of the current variable on its past values, while the DL component captures the influence of past values of independent variables on the dependent variable.

This method offers several advantages. First, Panel ARDL enables the separation and estimation of short-term and long-term relationships, providing more comprehensive insights (Hidthiir et al., 2024). Second, it accommodates differences among entities in panel data, leading to more accurate estimates (Vomberg & Wies, 2022). Third, Panel ARDL is specifically designed for panel data, making it ideal for analysis with both temporal and cross-sectional dimensions (Frimpong et al., 2024). Fourth, this method effectively handles cointegration among variables, ensuring valid estimations even in the presence of long-term relationships (Wang et al., 2022).

The testing procedure using the Panel ARDL method consists of several key steps, which will be further explained in this study.

a. Panel Unit Root Test

The panel unit root test is a statistical test used to determine whether a panel data series contains a unit root. Panel data combines cross-sectional elements (multiple individuals or entities) with time-series elements (a specific period). This test aims to assess whether the panel data is stationary—a key characteristic in time-series analysis, where statistical properties such as mean and variance remain constant over time. To check for the presence of a unit root, this study applies the Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) tests. These methods are chosen due to their robustness in handling both panel and large individual datasets. The tests evaluate stationarity based on the p-values obtained from individual unit root tests for each cross-section and the overall panel. The testing procedure follows the equations outlined in the next section.

$$\Delta \boldsymbol{U_{it}} = \boldsymbol{\theta_0} + \boldsymbol{\theta U_{it-1}} + \sum_{\boldsymbol{k=1}}^{\boldsymbol{S_i}} \boldsymbol{\alpha_i} \Delta \boldsymbol{U_{it-1}} + \boldsymbol{C_{it}'\delta} + \boldsymbol{\mu_{it}}$$

In these equations, μ_{it} represents the residual process, where $I = 1,2, \ldots, N$ refers to cross-sectional units observed over time $t = 1,2, \ldots, T$ denotes the independent variables, including fixed trend effects, while s_i represents the autoregressive (AR) coefficient. The error term accounts for individual disturbances that are independently distributed.

Both the ADF and PP tests are derived from the formula $\theta = s - 1$, allowing different lag orders across sections. Additionally, these tests handle cross-sectional dependence effectively.

The following equations represent the unit root test for each cross-section and the Fisher-PP test, which is also crucial for assessing overall serial correlation.

$$\emptyset = -\boldsymbol{2} \sum_{\boldsymbol{j=1}}^{\boldsymbol{n}} \mathbf{ln}\,(\boldsymbol{\pi_i}) \rightarrow \boldsymbol{X^2}$$

Here, π_i represents the probability threshold for the individual unit root test in cross-section i The test follows these hypotheses:

H_0 = 0: The variable is non-stationary or has a unit root.

$H_1 \neq 0$: The variable is stationary or does not have a unit root.

b. Cross-Sectional Dependence Approach

The Cross-Sectional Dependence test is based on the idea that food and beverage sub-sector companies listed on the IDX are interconnected in various ways. These include business relationships, geographical proximity (e.g., shared market areas), as well as social, cultural, and industry regulatory factors. As a result, there is a degree of dependence among these companies. To assess this dependence, the Pesaran-CD test (Pesaran, 2004) is used, along with the Breusch-Pagan LM test and the scaled Pesaran LM test. The equations for cross-sectional dependence testing are presented in the following section.

$$\boldsymbol{CD} = \sqrt{\frac{\boldsymbol{2T}}{\mathbb{N}(\mathbb{N}-\boldsymbol{1})}\left(\div \sum_{\boldsymbol{i=1}}^{\mathbb{N}-\boldsymbol{1}} \sum_{\boldsymbol{j=i+1}}^{\mathbb{N}} \widehat{\boldsymbol{p}}_{\boldsymbol{ij}} \right)}$$

Where $\mathbb{N}$ and T represent the cross-section and time dimensions, respectively, and $\hat{p}_{ij}$ denotes the pairwise cross-sectional residual correlation from the ADF test.

c. Panel Cointegration Tests

Before estimating the Panel Error Cointegration Model (PECM), it is essential to first confirm the presence of cointegration among the observed variables. Therefore, a panel cointegration test is conducted using the Engle and Granger-based test proposed by (Pedroni, 2004) and the Fisher panel cointegration test by (Johansen, 1995). In cointegration analysis, both panel cointegration tests are performed to assess sensitivity and reliability. The panel cointegration model can be expressed as follows:

$$\boldsymbol{PL_{it}} = \boldsymbol{\alpha_i} + \boldsymbol{\beta_1 CR_{it}} + \boldsymbol{\beta_2 ROA_{it}} + \boldsymbol{\beta_3 DER_{it}} + \boldsymbol{\eta_{it}}$$

Where α_i represents the unobserved firm-specific effect, $t = 1; \ldots; T$ denotes the number of time observations, and $i = 1; \ldots; N; t$ represents the cross-sectional units. The term η_{it} refers to the error term. (Pedroni, 2004) proposed calculating the test statistics by taking the first difference of the above equation and performing a cointegration test on its residuals. The model's error term is then modeled as a first-order autoregressive process as follows:

$$\boldsymbol{\eta_{it}} = \phi_{\boldsymbol{it}} \boldsymbol{\eta_{it-1}} + \boldsymbol{\mu_{it}}$$

Where the null hypothesis ($H_0 = 0$) indicates no cointegration, which is tested for all statistics. The proper selection of lag length is crucial for obtaining reliable panel cointegration results. On the other hand, the Johansen Fisher (1995) panel cointegration model follows a vector autoregressive (VAR) process of order ρ, expressed as:

$$\boldsymbol{y_{it}} = \boldsymbol{\alpha_i} + \boldsymbol{A_1 y_{it-1}} + \cdots + \boldsymbol{A_\rho y_{it-\rho}} + \boldsymbol{v_{it}}$$

Where y_{it} is an $NT \times 1$ vector of variables integrated of order 1, denoted as I(1). In this study, $y_{it} = (PL_{it}; CR_{it}; ROA_{it}; DER_{it})$, and v_{it} represents the error term. Cointegration and short-term relationships can be expressed in the following equation:

$$\Delta \boldsymbol{y_{it}} = \boldsymbol{\alpha_i} + \Pi \boldsymbol{y_{it-1}} + \sum_{j=1}^{\rho} \Gamma_i \Delta \boldsymbol{y_{it-j}} + \boldsymbol{v_{it}}$$

With the test criterion $H_0 = 0$, there is no cointegration, implying $\rho(\Pi) = 0$, whereas under $H_a \neq 0$, cointegration exists.

d. Panel ARDL Model

The ARDL model is used to determine whether the time series data exhibit both short-term and long-term equilibrium. According to (Liu & Bae, 2018), the ARDL approach provides more robust and efficient results. Additionally, the panel ARDL model simultaneously includes both short-term and long-term coefficients. One key advantage of the panel ARDL model is its applicability regardless of whether the selected variables are fully I(0), fully I(1), or partially integrated. In this study, the Profit Growth function can be simply expressed as:

$$\boldsymbol{PL_{i,t} = \beta_0 + \beta_1 CR_{i,t} + \beta_2 ROA_{i,t} + \beta_3 DER_{i,t} + \varepsilon_{i,t}}$$

The ARDL model is used to ensure the presence of both long-term and short-term equilibrium in the given time series data. As an initial step in analyzing long-term and short-term relationships between variables, the general framework of the panel ARDL model can be formulated based on the previous equation as follows:

$$\Delta PL_{i,t} = \alpha_0 + \alpha_1 PL_{i,t-1} + \alpha_2 CR_{i,t-1} + \alpha_3 ROA_{i,t-1} + \alpha_4 DER_{i,t-1} + \sum_{j=1}^{q} \beta_1 \Delta PL_{i,t-j} + \sum_{j=1}^{q} \beta_2 \Delta CR_{i,t-j} + \sum_{j=1}^{q} \beta_3 \Delta ROA_{i,t-j} + \sum_{j=1}^{q} \beta_4 \Delta DER_{i,t-j} + \varepsilon_{i,t}$$

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Where Δ represents the first difference, α_0 is the constant, and q is the optimal lag length selected based on the Akaike Information Criterion (AIC). $\alpha_1, \alpha_2, \alpha_3, \alpha_4$are the long-term coefficients, while $\beta_1, \beta_2, \beta_3, \beta_4$ represent the short-term coefficients. $\varepsilon_{i,t}$ is the error term.

Once cointegration is identified, the next step is to estimate the long-term and short-term equilibrium between variables. Based on the previous equation, the Panel Error Correction Model (PECM) is formulated to estimate the short-term relationship, as shown in the following equation.

$$\Delta PL_{i,t} = \gamma_0 + \sum_{i=1}^{q} \gamma_1 \Delta PL_{i,t-i} + \sum_{i=1}^{q} \gamma_2 \Delta CR_{i,t-i} + \sum_{i=1}^{q} \gamma_3 \Delta ROA_{i,t-i} + \sum_{i=1}^{q} \gamma_4 \Delta DER_{i,t-i} + \theta ecm_{i,t-1} + \varepsilon_{i,t}$$

Where $ecm_{i,t-1}$ represents the error correction term, and θ is the adjustment speed when short-term disturbances occur toward long-term equilibrium. The ECM coefficient $ecm, \theta,$ is expected to be negative and significant to ensure the formation of long-term equilibrium between profit growth and explanatory variables.

RESULTS AND DISCUSSION

Panel Unit Root Test

Table 1. Results of the Panel Unit Root Test

Variables	LLC test		ADF-Fisher test	
	Level	1st Different	Level	1st Different
PL	-6.20518***	-12.1458***	33.3865***	59.1898***
CR	0.99237	-7.18940***	7.61361	37.9581***
ROA	-2.54349***	-7.22377***	19.7951*	44.5406***
DER	-1.57028*	-5.06310***	16.8877	34.9391***

Notes: (*,***), significant at a 10, 5, and 1% confidence level

Table 1 presents the results of the Panel Unit Root Test using LLC and ADF-Fisher tests. The findings indicate that PL, ROA, and DER are stationary at the level for some tests, while CR becomes stationary only after the first difference. This confirms mixed integration orders, justifying the Panel ARDL approach. Based on these results, data testing for the next stages can be carried out.

Cross – Sectional Dependence Test

Table 2. Results of The Cross – Sectional Dependence Test

Variables	Breusch-Pagan LM	Pesaran Scaled LM	Pesaran CD
PL	26.22035**	2.048546**	3.482030***
CR	39.16431***	4.411779***	-0.651169
ROA	16.33466	0.243674	2.878060***
DER	51.75265***	6.710086***	1.565800

Notes: (**,***), significant at a 5 and 1% confidence level

Table 2 presents the Cross-Sectional Dependence Test results using Breusch-Pagan LM, Pesaran Scaled LM, and Pesaran CD. The findings indicate significant dependence for PL and ROA across tests, while CR and DER show mixed results. These outcomes suggest potential cross-sectional correlations, reinforcing the need for robust estimations in the Panel ARDL model.

Panel Co-Integration Test

Table 3. Results of The Panel Co-Integration Test

Alternative hypothesis: common AR coefs. (within-dimension)				
			Weighted	
	Statistic	**Prob.**	**Statistic**	**Prob.**
Panel v-Statistic	-1.936068	0.9736	-1.926336	0.9730
Panel rho-Statistic	0.851782	0.8028	0.908542	0.8182
Panel PP-Statistic	-3.744933***	0.0001	-3.116542***	0.0009
Panel ADF-Statistic	-2.907942***	0.0018	-2.139050**	0.0162
Alternative hypothesis: individual AR coefs. (between-dimension)				
	Statistic	**Prob.**		
Group rho-Statistic	2.014998	0.9780		
Group PP-Statistic	-6.118421***	0.0000		
Group ADF-Statistic	-3.031381***	0.0012		

Notes: (***), significant at 1% confidence level

Table 3 presents the Panel Co-Integration Test results. The PP-Statistic and ADF-Statistic are significant at the 1% level, indicating strong evidence of co-integration. However, the v-Statistic and rho-Statistic are insignificant, suggesting mixed results. The group PP-Statistic and ADF-Statistic further confirm co-integration. These findings imply a long-term equilibrium relationship among the variables, justifying the application of the Panel ARDL model for further analysis of both short-term and long-term dynamics in financial performance.

Panel ARDL Model

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Table 4. Estimation Results of the Long-Term and Short-Term

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.***
Long Run Equation				
CR	8.202170**	3.867952	2.120546	0.0416
ROA	0.617082	0.623864	0.989130	0.3298
DER	0.177016**	0.071534	2.474574	0.0187
Short Run Equation				
COINTEQ01	-1.132922***	0.058191	-19.46887	0.0000
D (CR)	-36.65041	29.87902	-1.226627	0.2286
D (ROA)	14.04697***	4.113884	3.414528	0.0017
D (DER)	-2.074625	2.025422	-1.024293	0.3131
C	-49.98945	26.22306	-1.906316	0.0653

Notes: (**,***), significant at a 5 and 1% confidence level

The long-term estimation results in Table 4 indicate that Current Ratio (CR) and Debt to Equity Ratio (DER) significantly impact the profit growth of food and beverage companies listed on the IDX. CR has a positive coefficient (8.202170) and is significant at the 5% level, suggesting that an increase in liquidity tends to enhance profit growth over the long term. This implies that companies with better liquidity management can sustain their profitability by meeting short-term obligations efficiently, which in turn supports stable operations and investment activities (Kontuš & Mihanović, 2019).

Similarly, DER is also significant at the 5% level with a coefficient of 0.177016, indicating that capital structure positively influences profitability. A higher DER suggests that companies utilize more debt financing, which, when managed effectively, can contribute to profit growth by leveraging financial resources for expansion and operational efficiency. However, excessive reliance on debt may increase financial risk, so maintaining an optimal debt-equity balance is crucial for long-term stability (Sheng & Sukaj, 2021).

Conversely, Return on Assets (ROA) is not statistically significant (p = 0.3298), implying that asset efficiency does not directly impact profit growth over the long run. This may suggest that while asset utilization is important, other factors such as market conditions, pricing strategies, and operational efficiency play a more significant role in determining long-term profitability (Shafique et al., 2021).

Overall, these findings highlight the importance of liquidity and capital structure in sustaining profit growth over time. Companies should focus on maintaining a strong liquidity position while optimizing their debt-to-equity ratio to ensure sustainable financial health. While ROA may not show a direct long-term impact, it remains a critical indicator of operational performance that could influence profitability through other indirect channels.

The short-term estimation results reveal that the error correction term (COINTEQ01) has a negative coefficient (-1.132922) and is highly significant at the 1% level, indicating a strong adjustment mechanism. This suggests that when short-term deviations occur, the system rapidly corrects itself to restore long-term equilibrium, highlighting the model's stability.

ROA has a significant positive impact on profit growth in the short term (coefficient = 14.04697, p = 0.0017), indicating that efficient asset utilization directly enhances profitability over shorter periods. This suggests that companies focusing on maximizing asset returns can see immediate improvements in their financial performance, making asset efficiency a crucial factor for short-term profit growth (Ung, 2021).

However, CR and DER are not statistically significant in the short term, suggesting that liquidity and capital structure adjustments may not yield immediate impacts on profit growth. While these factors play a crucial role in long-term financial sustainability, their effects may take longer to materialize due to the nature of financial decision-making and operational cycles (Cardillo & Basso, 2025; Dharmayanti et al., 2023).

Additionally, the constant term (C) is negative but not statistically significant, suggesting that external factors such as market fluctuations or economic conditions may contribute to short-term profit variations.

Overall, these findings indicate that in the short term, asset efficiency (ROA) plays a dominant role in profit growth, whereas liquidity (CR) and capital structure (DER) require longer periods to influence financial performance. Companies should prioritize optimizing asset returns for immediate profitability while maintaining a balanced financial strategy to ensure long-term stability.

CONCLUSION

This study examines the impact of financial ratios on profit growth in food and beverage manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2013 to 2023. The findings indicate that Current Ratio (CR) and Debt to Equity Ratio (DER) significantly influence profit growth in the long run, while Return on Assets (ROA) plays a crucial role in short-term profit variations. The long-term results suggest that liquidity management and capital structure are essential for sustaining profitability, emphasizing the need for companies to balance their financial resources efficiently. In contrast, short-term results highlight the importance of asset efficiency in generating immediate profits, implying that companies should focus on maximizing their asset utilization to achieve short-term financial goals. The significant and negative error correction term confirms that any short-term deviations from equilibrium are quickly corrected, ensuring long-term financial stability.

The implications of these findings are relevant for corporate financial management, particularly in strategic financial planning and decision-making. Companies should prioritize maintaining adequate liquidity to meet operational needs while leveraging debt financing optimally to enhance profitability. Moreover, short-term strategies should focus on improving asset efficiency to drive immediate financial performance. Investors can also use these insights to assess the financial health of food and beverage companies by analyzing their liquidity, capital structure, and asset utilization strategies.

However, this study has some limitations. First, it focuses only on publicly listed food and beverage companies in Indonesia, limiting the generalizability of the findings to other industries or countries. Second, external economic factors such as inflation, exchange rates, and government policies were not explicitly considered, which may affect profitability. Third, while the panel ARDL model captures both short-term and long-term relationships, other advanced econometric methods could provide deeper insights into financial dynamics.

For future research, expanding the sample to include firms from different industries and countries would improve the generalizability of results. Additionally, incorporating macroeconomic factors and market conditions could provide a more comprehensive understanding of financial performance. Lastly, future studies may explore alternative methodologies, such as machine learning models or nonlinear approaches, to enhance predictive accuracy in financial performance analysis.

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