

The Influence of Liquidity and Growth Opportunity on Profitability in Insurance Subsector Companies Listed on the Indonesia Stock Exchange for the 2020-2023 Period

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ABSTRACT

This research aims to examine and analyze the influence of Liquidity and Growth Opportunity on Profitability in insurance companies listed on the Indonesia Stock Exchange (IDX) during the 2020-2023 period. The sample consists of 11 companies that met the criteria using purposive sampling method. The analysis method employed was multiple linear regression using SPSS 26 software. Results indicate that Liquidity has a positive and significant effect on Profitability, while Growth Opportunity has a negative but insignificant effect on Profitability. Simultaneously, both variables significantly influence Profitability. The coefficient of determination test (R^2) shows that Liquidity and Growth Opportunity explain 13.7% of Profitability variation, while the remaining 86.3% is influenced by other factors not included in the model.

INTRODUCTION

The Indonesian business industry has developed rapidly in recent years, marked by the increasing number of public companies listed on the Indonesia Stock Exchange (IDX). Throughout 2023, 79 companies conducted Initial Public Offerings (IPOs) on the IDX with total funds reaching Rp54.14 trillion. As of December 29, 2023, IDX recorded 903 listed public companies and the number of investors in the Indonesian capital market reached 12.16 million, indicating that the business world is developing rapidly due to the large number of investors.

Investors need various information to predict investment results in the capital market before deciding to invest in a company. There are two basic approaches in stock analysis and selection, namely fundamental analysis and company performance evaluation through profitability analysis.

Company performance represents a financial condition analyzed through profitability. The purpose of this analysis is to determine how well or poorly a company's financial condition is and to show how well the company has performed during a certain period.

Profitability is defined as "the ability of companies to generate profits with high investment returns will use smaller debt" (Rolanta et al., 2020). Investors pay close attention to profitability because they invest with the expectation of making profits. Consequently, "companies strive to maximize the power they have to achieve desired profits in the most effective way" (Andy and Jonnardi, 2020).

Financial analysts generally use two indicators to measure profitability: Return on Equity (ROE) and Return on Asset (ROA). "ROA focuses on a company's ability to obtain operating profits, while ROE measures the return obtained from the owner's investment in the business" (Yuningsih et al., 2023). In the context of insurance companies, ROA is a ratio to measure the efficiency level of company operations in generating net profit from the use of company assets. The higher the ROA value, the more efficient the use of company assets in generating net profit. ROA growth will have a positive impact on the market, as companies can guarantee investor welfare with a high rate of investment return.

Liquidity is an internal factor that greatly influences the financial performance of insurance companies. Liquidity can be defined as "the level of ability of a company to pay its debts that are due" (Kasmir, 2018). According to Dahlan (2022), "liquidity is generally defined as the ability of a company to meet its financial obligations in the short term or those that must be paid immediately." Growth opportunity is the opportunity for a company to expand in the future. According to Rahmania and Ratnasari (2024), "Growth opportunity can be in the form of an increase or decrease in total assets experienced by a company in a certain period." This asset growth is measured as the level of change in assets at a certain time compared to the previous year.

LITERATURE REVIEW

Signaling Theory

Signaling theory explains how companies deliver information to information users to portray their corporate condition. According to Nur et al. (2024), "Signaling theory involves communicating information to users that

illustrates the company's status." Information users encompass investors, prospective investors, and creditors who respond to information provided by company management.

Signaling Theory elucidates the signals management provides to investors as indicators regarding company prospects. Brigham and Houston (2016) state that signals may include descriptions, notes, or images concerning company conditions – past, present, or future – to demonstrate corporate sustainability.

Financial information such as return on assets (ROA) provides important signals about a company's ability to manage its assets. Effendi et al. (2023) assert that "elevated return on asset levels transmit positive signals to investors because they demonstrate that the company maintains strong financial performance through effective asset utilization." Consequently, investors become interested in investing capital in response to these positive signals, ultimately resulting in higher company valuations.

Return On Asset

Return On Assets (ROA) represents a ratio used to measure a company's capability to generate net profit after tax from an asset perspective. Marlina (2019) defines, "Return on Assets (ROA) constitutes a ratio used to measure a company's ability to produce net profit after tax from an asset viewpoint. This ratio indicates how many rupiahs are obtained from net profit for each rupiah invested by shareholders (company owners)."

ROA illustrates a company's ability to obtain net profit after tax from the total assets employed in company operations. Katuuk et al. (2018) state, "Return on Assets (ROA) is a profitability ratio that shows the comparison between profit and total assets. This ratio reveals the efficiency level of asset utilization performed by the concerned entity." Higher ROA indicates more effective company utilization of assets to generate net profit after tax.

Profitability ratios like ROA hold significant importance for annual report users, particularly equity investors and creditors. Safitri (2018) explains that "profitability ratios aim to ascertain a company's ability to generate profit during a specific period and provide insights regarding management's effectiveness level in conducting operational activities."

Liquidity

Liquidity ratios evaluate a company's capacity to meet its short-term financial obligations (Masyitah and Harahap, 2018). Insurance companies emphasize the importance of balancing current assets with risk and profitability considerations. Higher liquidity ratios tend to enhance corporate profitability by providing greater investment flexibility. Research findings by Awaluddin (2016) indicate that "elevated liquidity levels contribute to increased company profitability." Therefore, it can be concluded that liquidity demonstrates a positive influence on profitability. This assertion is further supported by research conducted by Rahmayanti et al. (2018), which determined that "liquidity exhibits a positive and significant impact on profitability."

H1: Liquidity has a significant influence on return on asset.

Growth Opportunity

Companies with high growth opportunities possess substantial investment values, particularly in fixed assets with economic lives exceeding one year. These investments are implemented through construction of new factories, acquisition of new machinery, research and development programs aimed at discovering new products and technologies, procurement of new technologies (especially information technology), and market expansion. Such companies typically retain their profits to finance these significant investments for business expansion. With these substantial investments, companies with high growth opportunities tend to achieve high profitability as well. The higher the growth opportunity, the higher the company's profitability. Thus, growth opportunity positively influences profitability. Research findings (Setiyowati et al., 2020) determined that "growth opportunity has a positive effect on company profitability."

H2: Growth Opportunity has a significant influence on return on asset.

H3: Liquidity and Growth Opportunity together have a significant influence on return on assets.

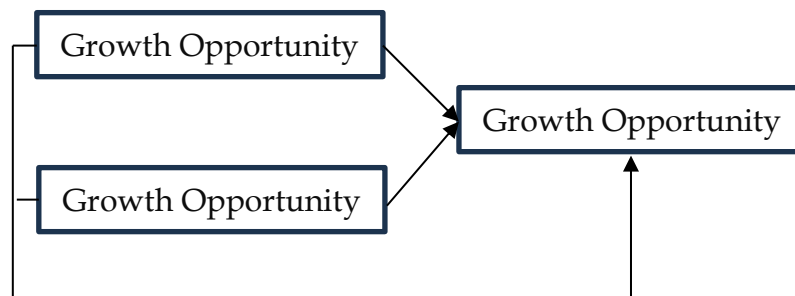


Figure 1. Conceptual Framework

METHODOLOGY

This research represents a quantitative study in the form of causal investigation. The data utilized consists of secondary data, specifically annual reports of financial sector companies within the insurance subsector listed on the Indonesia Stock Exchange (IDX) for the 2020-2023 period, sourced from www.idx.co.id and each studied company's website. The population encompasses 18 financial sector companies within the insurance subsector listed on the Indonesia Stock Exchange. The sample selection methodology employed purposive sampling, which yielded 11 companies with 4 years of observation, resulting in a total sample of 44 data points.

RESEARCH RESULT

Descriptive Statistical Test

In this research, the data utilized encompasses 11 insurance subsector companies listed on the Indonesia Stock Exchange between 2020 and 2023. With this data, researchers can establish minimum values, maximum values, average values, and standard deviations for each company variable considered.

Table 1. Descriptive Statistical Test Results

Descriptive Statistics				
	Minimum	Maximum	Mean	Std. Deviation
Liquidity	1,5000	396,4000	149,7413 64	94,9027540
Growth Opportunity	-18,2200	41,1400	4,336364	9,4747032
Profitabilitas	,3100	6,3000	2,732500	1,8591973
Valid N (listwise)				

Source: SPSS processing results, 2025

Table 1 comprises 44 data points. Liquidity and Profitability follow normal distributions where mean values exceed standard deviation values, so these data are considered suitable for analytical use.

Classical Assumption Tests

Normality Test Results

Table 2. Normality Test Results
One-Sample Kolmogorov-Smirnov Test

		Unstandard ized Residual
N		44
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	1,72668619
Most Extreme Differences	Absolute	,090
	Positive	,090
	Negative	-,090
Test Statistic		,090
Asymp. Sig. (2-tailed)		,200 ^{c,d}

Source: SPSS processing results, 2025

The Asymp Sig value at 0.200 exceeds the significant value of 0.05, as shown in the table above. Stated otherwise, the residual variable shows normal distribution. These findings support the assumption that the research variable regression equation follows a normal distribution.

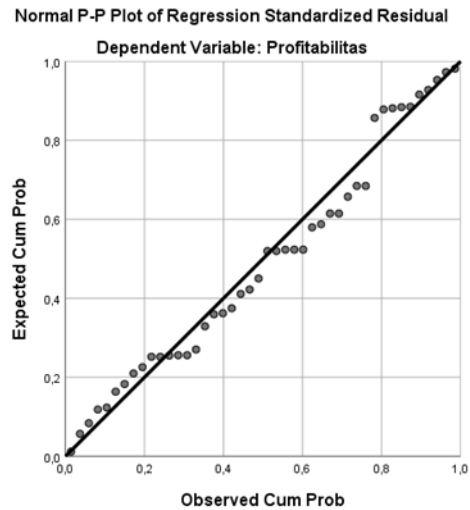


Figure 2. Normal Probability Plot Test Results

The Normal Probability in Figure 2 shows points on the plot spreading around the diagonal line. This indicates that the data distribution follows a normal distribution.

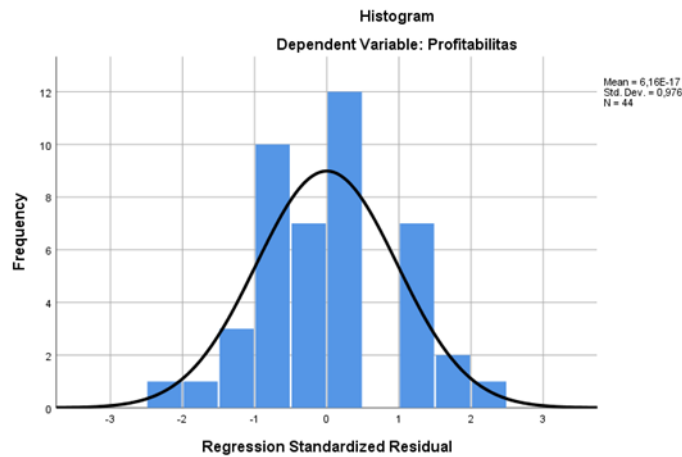


Figure 3. Histogram Graph Test Results

Figure 3 data distribution demonstrates that data follows a normal distribution, consistent with normality test findings using the histogram graph.

Multicollinearity Test

Table 3. Multicorrelation Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Liquidity	,961	1,041
Growth Opportunity	,961	1,041

Source: SPSS processing results, 2025

Considering all tolerance values >0.10 and VIF <10, as demonstrated by the results in Table 3, it can be concluded that the research regression model does not exhibit multicorrelation.

Heteroscedasticity Test

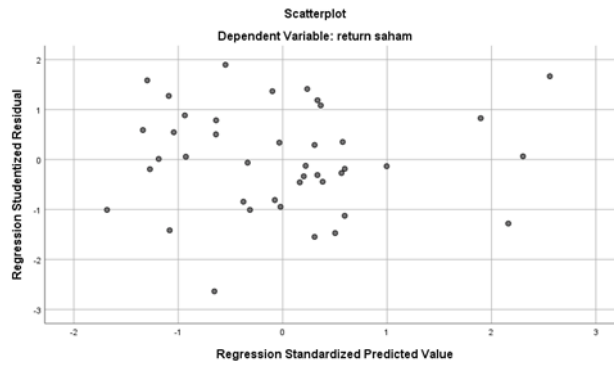


Figure 4. Heteroscedasticity Test Results

Figure 4 clearly shows points spreading randomly, lacking a clear pattern, and appearing above and below the zero line. This indicates that the regression model does not exhibit heteroscedasticity.

Autocorrelation Test

Table 4. Autocorrelation Test

Model	Std. Error of the Estimate	Durbin-Watson
1	1,7682991	1,223

Source: SPSS processing results, 2025

No autocorrelation exists in the regression model, based on processing findings showing a D-W value of 1.223. This value falls within the range $-2 < 1.223 < 2$.

Multiple Linear Regression Test

Table 5. Multiple Linear Regression Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1,729	,545		3,174	,003
Liquidity	,007	,003	,357	2,413	,020
Growth Opportunity	-,010	,029	-,052	-,351	,727

Source: SPSS processing results, 2025

The structural equation from the regression results above is:

$$ROA = 1.729 + 0.007X_1 - 0.010X_2 + e$$

Interpretation of the regression equation above:

1. $a=1.729$, represents the constant value meaning that if CR and GO variables remain constant, ROA is estimated to remain at 1.729.
2. $\beta_1=0.007$, for the CR variable indicates that each one-unit increase in CR will cause ROA to experience a 0.007 or 0.7% increase, assuming other variables remain constant.

- $\beta_2 = -0.010$, for the GO variable indicates that each one-unit increase in GO will cause ROA to experience a 0.010 or 1% decrease, assuming other variables remain constant.

Partial Hypothesis Testing

Table 6. Partial Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1,729	,545		3,174	,003
Liquidity	,007	,003	,357	2,413	,020
Growth Opportunity	-,010	,029	-,052	-,351	,727

Source: SPSS processing results, 2025

From the table above, it can be determined:

- CR: regression coefficient value $0.020 < 0.05$. This finding shows that a significant partial influence exists between CR and ROA.
- GO: coefficient value $0.727 > 0.05$. This finding shows no significant influence of GO on ROA.

Simultaneous Hypothesis Testing (F-Test)

Table 7. F-Test Results

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20,432	2	10,216	3,267	,048 ^b
	Residual	128,202	41	3,127		
	Total	148,634	43			

Source: SPSS processing results, 2025

Significance value of 0.048, Table 7 displays F-value of 3.267. CR and GO simultaneously have a significant influence on ROA with significance $0.048 < 0.05$.

Coefficient of Determination R² Test

Table 8. Coefficient of Determination Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,371 ^a	,137	,095	1,7682991	1,223

Source: SPSS processing results, 2025

Table 8 displays data with an R-Square value of 0.137. This means that a 13.7% contribution to ROA volatility comes from CR and GO variations. Thus, it

can be concluded that CR and GO each contribute 13.7% to ROA, while other components contribute 86.3%.

DISCUSSION

Influence of CR on ROA

Based on regression and t-tests, the liquidity coefficient value is 0.007 and significance value (sig.) 0.020, meaning that liquidity has a positive and significant effect on Profitability. These research results explain that when liquidity experiences an increase, it will significantly increase company profitability in insurance subsector companies listed on IDX. From the research analysis results, it can be concluded that when liquidity increases, it will significantly influence, or guarantee, company profitability improvement.

Therefore, the first hypothesis asserting that Liquidity has a significant influence on return on asset is validated. This research outcome corresponds with the findings published by Pradnyaswari and Dana (2022), Madushanka and Jathurika (2018), and Ismail (2016), whose studies similarly concluded that liquidity exerts a positive and significant influence on profitability. The empirical evidence gathered in this investigation reinforces the established relationship between liquidity management and financial performance metrics within corporate environments.

Influence of GO on ROA

Based on regression and t-tests, the growth opportunity coefficient value is -0.010 and significance value (sig.) 0.727, meaning that growth opportunity has a negative and insignificant effect on profitability. These research results explain that when growth opportunity experiences an increase, it will decrease profitability but not significantly in insurance subsector companies listed on IDX. From the research analysis results, it can be concluded that when growth opportunity increases, it will not significantly influence, or not guarantee, an increase in company profitability.

Thus, the second hypothesis stating that Growth Opportunity has a significant influence on return on asset cannot be accepted (is rejected). The findings of this research are consistent with studies conducted by Fuada (2023) and Wajo (2021), which similarly found no support for a positive relationship between growth opportunity and profitability measures. This empirical evidence suggests that contrary to theoretical expectations, the presence of growth opportunities does not necessarily translate into enhanced profitability outcomes within the examined business context and timeframe.

Simultaneous Influence

Based on test results, with a significance level of 0.048 and F-value of 3.267, it can be concluded that CR and GO together have a significant influence on ROA, according to their significance level ($0.048 < 0.05$). Therefore, the third hypothesis proposing that Liquidity and Growth Opportunity together have a significant influence on return on assets can be accepted.

CONCLUSIONS AND RECOMMENDATIONS

Based on the research description and analysis presentation, the following conclusions can be formulated:

1. Partially, the liquidity variable measured using CR has a positive and significant effect on profitability; thus, the first hypothesis is accepted.
2. Partially, the growth opportunity variable has a negative and insignificant effect on profitability; thus, the second hypothesis is rejected.
3. Simultaneously, liquidity and growth opportunity variables significantly influence profitability; thus, the third hypothesis is accepted.

Researchers suggest that investors pay attention to profitability aspects as a consideration in making investments. Investors are also expected not to focus solely on financial performance but also consider other aspects for the company's business sustainability.

ADVANCED RESEARCH

Future researchers are expected to expand the research sector beyond just the insurance subsector to include broader company sectors and observation periods. Future researchers should also employ variables beyond those used in this research.

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