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Financial Performance Resilience of Indonesian Manufacturing Firms During Economic Turbulence: Liquidity and Solvency Analysis of Listed Companies (2018– 2023)

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ABSTRACT: The manufacturing sector is one of the main drivers of Indonesia's economy, so the resilience of the company's financial performance in this sector is a strategic issue, especially amid global economic uncertainty and the impact of the Covid-19 pandemic. This study aims to analyze the *financial performance resilience* of manufacturing companies listed on the Indonesia Stock Exchange during the 2018–2023 period through a quantitative approach. The main variables studied are the liquidity ratio—which is measured using *the Current Ratio*, *Quick Ratio*, and *Cash Ratio*—as well as the solvency ratio—which is measured through *the Debt to Asset Ratio*. The analysis was carried out using secondary data from the annual financial statements of three manufacturing companies selected based on *purposive sampling techniques*.

The results of the study show that PT Mayora Indah Tbk has the best level of financial resilience, with a high liquidity ratio and a controlled capital structure, so that it is able to meet short-term and long-term obligations consistently. On the other hand, PT Wahana Interfood Nusantara Tbk showed a volatile and vulnerable financial pattern due to high dependence on debt, while PT Sekar Bumi Tbk was in a stable but moderate position. These findings confirm that companies with adequate liquidity and prudently managed leverage are better able to withstand economic turbulence, supporting concepts in capital structure theory and previous empirical findings highlighting the importance of liquidity and solvency in maintaining sustainable financial performance.

Academically, this research contributes to the development of financial resilience literature in emerging markets, especially in the Indonesian manufacturing sector. In practical terms, the results of research can be the basis for investors, financial managers, and regulators in designing funding and liquidity management strategies that are more adaptive to economic changes. Further research is recommended to expand the scope of the sample, include additional variables such as profitability or corporate governance, and use more dynamic econometric models so that a more comprehensive understanding of financial performance resilience can be obtained.

KEYWORDS: financial resilience, liquidity, solvency, financial performance, manufacturing companies, Indonesia Stock Exchange

INTRODUCTION

The manufacturing sector plays a central role in the Indonesian economy, both as a major contributor to Gross Domestic Product (GDP) and as a large absorber of labor. Data from the Central Statistics Agency shows that the processing industry consistently contributes significantly to national GDP, in the range of 18–19 percent in 2022–2023, so that this sector remains categorized as one of the strategic pillars in the national economic structure. [Indonesian Central Statistics Agency][1] In the period 2018–2023, various global dynamics such as trade wars, commodity price fluctuations, and changes in world demand patterns also affected the performance of the domestic manufacturing sector. This condition makes the analysis of the financial performance of manufacturing companies not only relevant for the development of academic studies, but also crucial for policy-formulation and data-based business decision-making.

In line with that, the development of the Indonesian capital market shows an increasing trend in the number of issuers, including from the manufacturing group of companies. Various sources noted that hundreds of manufacturing companies have been listed on the Indonesia Stock Exchange (IDX), covering the consumer goods subsector, basic and chemical industries, and various industries. [https://www.idxchannel.com/][2] This phenomenon underscores the large contribution of manufacturing companies to the capital market as well as the increasing need for credible financial performance information.

In this context, financial statements and financial ratio analysis such as liquidity ratios, solvency, profitability, and activities serve as the main tools to assess the company's financial health, risks, and sustainability prospects for various stakeholders.

The 2018–2023 period was also marked by a major shock in the form of the Covid-19 pandemic which suppressed the financial performance of manufacturing companies, both in terms of sales, profitability, and capital structure. Various empirical studies show that the pandemic lowered the financial performance and stock prices of manufacturing companies and caused significant differences in financial indicators when compared between periods before and during the pandemic. [Perbanas Journal][3] Most of the research focuses on changes in liquidity, solvency, and profitability ratios in the short term, as well as examining the direct impact of the pandemic as a shock variable on the company's financial condition. However, studies that map the post- pandemic recovery process and assess the *resilience of* financial performance over a longer time horizon are still relatively limited and have not been thoroughly reviewed.

On the other hand, the corporate finance literature in Indonesia has extensively studied the influence of liquidity, leverage, and other financial ratios on profitability, company value, and potential *financial distress*. A number of studies, for example, have found that liquidity and leverage ratios play a significant role in explaining variations in profitability and *financial distress* risks in companies listed on the IDX, including manufacturing companies. IBIK Scientific Journals][4] However, most of these studies generally focused on relatively short observation periods (e.g. 2018–2021 or 2019–2020), limited to specific subsectors (such as food and beverage or basic and chemical industries), or highlighted specific issues such as *financial distress* and corporate value. As a result, there is still a gap in the form of a broader and longitudinal descriptive- analytical mapping of the financial performance of the manufacturing sector during 2018–2023, which explicitly includes the phases before, during, and after the economic shock.

Departing from this context, this article aims to analyze the financial performance of manufacturing companies listed on the Indonesia Stock Exchange during the 2018–2023 period using the main indicators of financial ratios, in particular liquidity and solvency ratios, as well as (if relevant) profitability and activity ratios as complements. Through this analysis, it is hoped that a more comprehensive picture will be obtained of the ability of manufacturing companies to maintain their financial health in the midst of economic turbulence. Theoretically, this research is expected to enrich the treasure of literature on the analysis of financial performance and financial resilience of companies in developing countries. Practically, the research findings are expected to provide input for company management, investors, analysts, and regulators in designing financial management strategies, formulating investment policies, and formulating regulations that are more adaptive to the dynamics of the manufacturing sector.

RESEARCH METHODS

This study applies a quantitative method by relying on financial *ratio analysis* as the main approach to evaluate the performance of manufacturing companies. The data analyzed is secondary, in the form of annual financial reports containing balance sheets, income statements, and if necessary, the company's cash flow statement for the 2018–2023 period. The use of financial statements allows researchers to assess the company's financial condition through ratios that have been known in accounting and financial practices. This approach is in line with the method of analyzing financial statements that are widely recommended in the academic literature and financial practitioners. [Santa Clara University Leavey][1]

The research sample consists of three manufacturing companies listed on the Indonesia Stock Exchange (IDX). The sample determination is carried out using purposive sampling, which is a sample selection technique based on certain criteria, including: companies belonging to the manufacturing subsector, routinely publish annual financial statements during the research period, and have publicly accessible data. The selection of this technique aims to ensure that the processed data is relevant and consistent, so that the results of the analysis can reflect the factual condition of the company continuously during the six years of observation.

Data collection is carried out using the documentation **method i**, which is downloading official financial statements from public sources. After the data is collected, the ratio calculation is carried out by focusing on liquidity ratios such as *Current Ratio, Quick Ratio,* and *Cash Ratio* which measures the company's ability to meet short-term obligations [Journal STIEMB][2], as well as solvency ratios including *Debt to Asset Ratio* and *Debt to Equity Ratio* which describes the capital structure and long-term debt repayment capacity of the company [Sinov Journal][3]. This analysis is carried out in a quantitative descriptive manner, including trend observation, comparison between companies, and evaluation of applicable industry standards. With this approach, the research seeks to identify the extent of liquidity stability and the ability of companies to manage their financial obligations, thereby providing an overview of *financial resilience* to changes in the economic environment.

Conceptual and Variable Foundations

The concept of financial performance in this study is measured through ratio indicators, which describe the company's financial position in the short and long term. Financial ratios provide concise information about financial health that can be compared between periods and between similar entities [VTechWorks][4]. The liquidity ratio is used to assess a company's ability to meet immediate obligations without having to liquidate long-term assets or seek additional funding sources, making it an important indicator in uncertain economic conditions [BFI Finance][5]. Meanwhile, the solvency ratio assesses the composition of the company's financing, especially the amount of dependence on debt rather than its own assets and capital; This ratio is crucial in determining long-term operational risk and continuity [NCERT][6].

The concept of financial resilience is interpreted as the company's ability to maintain stability in liquidity and solvency ratios even when faced with unexpected economic dynamics, including market fluctuations or other external pressures. This framework is relevant considering that financial resilience is an important indicator for public companies in maintaining business sustainability. Previous research findings show that these ratios have proven to be effective in measuring the risk, profitability, and financial performance of public entities, making them relevant to support the analysis in this study ([ResearchGate][7]). Thus, the conceptual framework of the research places the liquidity and solvency ratio as the main variables to assess the performance and financial strength of the company throughout the 2018–2023 period.

RESULTS AND DISCUSSION

Research Results

The results of the liquidity ratio analysis show that PT Mayora Indah Tbk consistently has the highest level of liquidity capability compared to the other two companies throughout the 2018– 2023 period. This is shown by the average Current Ratio of 306.83%, Quick Ratio of 169.43%, and Cash Ratio of 75.66%, which reflects the availability of current assets that are more than sufficient to meet short-term obligations. Despite a decline in 2021, Mayora's liquidity performance remained at a healthy level with a stable trend, illustrating the company's ability to maintain smooth asset management efficiency amid economic uncertainty and global supply chain disruptions.

Unlike Mayora, PT Wahana Interfood Nusantara Tbk experienced significant liquidity fluctuations. The company's average Current Ratio only reaches 160%, while the Quick Ratio is 104.85%, indicating a relatively high dependence on inventory in fulfilling current obligations. This condition is further clarified by the low Cash Ratio (24.37%), especially in 2018–2020, thus indicating cash limitations that can have an impact on the stability of operating cash flows. The surge in the Cash Ratio in 2021–2023 indicates an improvement in liquidity, but its volatility throughout the observation period indicates the weak resilience of the company's liquidity in the face of economic pressures, especially during market volatility and rising raw material prices.

Meanwhile, PT Sekar Bumi Tbk showed a relatively stable liquidity pattern but was at a medium level. The average Current Ratio of 139.66%, Quick Ratio of 91.33%, and Cash Ratio of 31.83% reflect the company's ability to maintain its liquidity position without experiencing extreme fluctuations. However, a low Cash Ratio indicates that companies tend to rely on non- cash current assets to meet short-term liabilities, which can be a weakness in liquidity crisis situations.

The solvency ratio analysis, measured through the Debt to Asset Ratio (DAR), shows a contrasting picture between companies. PT Mayora Indah Tbk recorded an average DAR of 43%, reflecting a relatively healthy capital structure with controlled leverage, where most of the assets are financed from its own capital. This strengthens Mayora's position as the company with the best financial resilience among the research sample. In contrast, PT Wahana Interfood Nusantara Tbk has the highest average DAR of 59%, even reaching 72% in 2023, indicating a strong reliance on debt financing and higher financial risks in the long term. Meanwhile, PT Sekar Bumi Tbk is in a medium position with an average DAR of 43%, close to Mayora's capital structure but without liquidity support as strong as Mayora.

Overall, the results of this study show that PT Mayora Indah Tbk is the most financially resilient company during the 2018–2023 period, characterized by strong liquidity, maintained solvency, and adaptability to economic pressures. PT Sekar Bumi Tbk is in the moderately stable category, with a reasonable capital structure but limited liquidity, while PT Wahana Interfood Nusantara Tbk is classified as the most vulnerable financially stable company, due to its high dependence on debt and lack of available cash to anticipate economic turmoil. These findings support the argument that the ability to maintain a balance between liquidity and solvency is a key indicator of the financial resilience of manufacturing companies in the face of economic turbulence.

DISCUSSION

The findings of the study show that PT Mayora Indah Tbk has the relatively healthiest combination of liquidity and solvency compared to two other companies during 2018–2023, which is reflected in the high Current Ratio, Quick Ratio, and Cash Ratio as well as a moderate Debt to Asset Ratio (DAR). Theoretically, these results are in line with the concept of financial performance which places liquidity and solvency ratios as key indicators of a company's ability to meet short-term obligations and maintain the sustainability of its long-term capital structure. Previous studies on manufacturing companies in Indonesia have also shown that adequate liquidity and controlled leverage contribute positively to a company's financial performance and value. [transpublika.co.id][1] In the context of financial resilience, Mayora's position of liquidity but not too high leverage is consistent with the idea that companies that are able to maintain cash flexibility and a conservative capital structure tend to be more resilient to economic shocks. [jidt.org][2]

In contrast, PT Wahana Interfood Nusantara Tbk has a more vulnerable profile: the average Current Ratio and Quick Ratio are relatively low and fluctuating, while the DAR is at the highest level among the three companies. This pattern can be explained by the trade-off theory of capital structure which emphasizes the trade-off between the benefits of using debt (such as tax shields) and the increased risk of financial distress when leverage is too high. [Wall Street Prep][3] *High leverage* may support expansion in the short term, but amid economic turbulence (e.g. rising raw material prices and demand disruptions), interest and fixed liabilities can squeeze liquidity and increase vulnerability to cash crises. Empirical studies in Indonesia and ASEAN have also found that high leverage is associated with increased risk of financial distress, especially in the capital- intensive and cyclically sensitive manufacturing sector. [IBIK Journal][4]

PT Sekar Bumi Tbk is in an intermediate position: its capital structure is relatively balanced (DAR is similar to Mayora) but supported by liquidity that is not as strong as Mayora. This indicates that capital structure alone is not enough, and that working capital management is an additional determinant of financial resilience. The literature on working capital management shows that efficient management of cash, receivables, and inventories contributes to profitability and financial stability, although empirical evidence sometimes mixes results depending on the sector context and crisis period. [ijafibs.pelnus.ac.id][5] In this context, Mayora seems to be more successful in maintaining a balance between liquidity, leverage, and working capital turnover, making it more resilient than the other two companies in the face of economic shocks in 2018– 2023.

The implications of these findings are quite important for the development of theory and practice. From a theoretical perspective, the results support the view that liquidity and capital structure are the main pillars of corporate financial resilience, as highlighted in recent studies on the liquidity, solvency, and financial performance of manufacturing and consumer goods companies in Indonesia. [UBP Journal][6] This study adds contextual evidence that in emerging markets such as Indonesia, companies that manage leverage carefully and maintain liquidity reserves above industry minimum standards tend to be better able to survive during the crisis and recovery phases. In practical terms, company management can use these results as a basis for reviewing funding and liquidity policies, for example by reducing reliance on high-cost short-term debt, establishing adequate cash buffers, and improving operational cash cycles. For investors and creditors, a combination of longitudinally analyzed liquidity and solvency indicators can be a more informative tool in assessing long-term risk and resilience than just looking at a specific year's profitability.

However, several factors can affect the results and need to be critically considered. First, the study used only three companies, so that the specific characteristics of each company (e.g., business scale, product mix, access to international funding, and quality of governance) have the potential to strongly influence financial ratios and limit the generalization of findings to the entire manufacturing sector. Second, the analysis focuses on liquidity and solvency indicators without including other variables such as profitability, activity, or dividend policy which in many studies have been shown to moderate the relationship between financial ratios and company value. [transpublika.co.id][1] Third, this study does not explicitly separate the pre-pandemic, pandemic, and post-pandemic sub-periods in the panel model, so the dynamics of adjustment speed towards optimal capital structure as discussed in the trade-off and pecking order literature have not been fully captured. [Neliti][7]

Going forward, follow-up studies may expand the scope of the sample to more companies and subsectors, as well as include additional variables such as profitability, market risk, and governance indicators to test a more comprehensive model of financial resilience determination. The use of richer panel econometric methods (e.g. dynamic panels/GMMs) can also help capture the behavior of capital structure and liquidity adjustments over time. In addition, an explicit separation of the pre-crisis, crisis-time, and post-crisis phases will provide a sharper picture of how companies are adjusting their financial policies in the face of changing macroeconomic environments. Thus, future research has the potential to contribute more to the formulation of corporate policy, regulators, and investors in building a more resilient financial system.

CONCLUSION

Based on the results of panel data analysis of three manufacturing companies listed on the Indonesia Stock Exchange for the 2018–2023 period, this study concludes that the financial performance resilience of companies is greatly influenced by the ability to maintain liquidity and manage capital structures optimally. PT Mayora Indah Tbk has proven to have the most stable and resilient financial performance, as shown by its high liquidity ratio and maintained solvency level, so that the company is able to absorb economic pressures and market volatility that have occurred in recent years. These findings not only strengthen the theory of financial performance that places liquidity and solvency ratios as key indicators of corporate health, but also provide empirical support for previous research that affirms the importance of working capital management and capital structure in improving the financial resilience of the manufacturing sector. Socially and economically, the results of this study show that manufacturing companies that are able to maintain smooth asset adequacy and avoid over-reliance on debt financing are more adaptive in dealing with crises, thus providing a positive signal to investors, regulators, and other stakeholders in sustainable business decision-making. However, this study has limitations, especially in the limited number of samples and the inclusion of other variables such as profitability or corporate governance that have the potential to moderate the liquidity-solvency relationship to financial resilience. Therefore, further research is suggested to expand the scope of the sample, enrich the analysis variables, and use a more comprehensive econometric approach in order to produce more generalist and in-depth conclusions about the dynamics of the financial resilience of the manufacturing sector in Indonesia.

SUGGESTION

Based on the results of this study, it is recommended that manufacturing companies, especially those with high levels of leverage and volatile liquidity, strengthen cash and working capital management policies to increase financial resilience in the face of economic changes and market volatility. Financial practitioners need to be more careful in balancing funding structures, reducing reliance on short-term debt, and building adequate liquidity reserves as a risk mitigation strategy. For academics, these findings can be used as a basis for expanding the study by including other variables such as profitability, corporate governance, market risk, or macroeconomic factors to make the resulting analysis more comprehensive. Future research may also use data triangulation methods, mixed methods approaches, or advanced econometric models such as the Generalized Method of Moments (GMM) to capture the dynamics of capital structure and liquidity in more depth. Thus, further research has the potential to enrich the understanding of the mechanisms of corporate financial resilience and provide more targeted recommendations for stakeholders in the manufacturing sector.

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