Navigating Financial Risks in Indonesia's Evolving Automotive Market

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ABSTRACT

This study investigates the effect of liquidity, solvency, and activity ratios on the profitability of automotive manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2024 (N=60). Using secondary data from monthly financial reports, the research employs multiple linear regression using a structural equation model to assess both individual and collective impacts and the correlation of these financial ratios on profitability. The sample includes nine automotive companies selected through purposive sampling. The findings indicate that liquidity, solvency, and activity ratios do not significantly affect profitability moderated by competitive risk. Simultaneously, these ratios also do not significantly impact profitability. The adjusted R-squared value of 0.66 suggests that these three financial ratios explain only 66.10% of the variation in profitability, and the remaining 33.90% is influenced by other variables not included in this study. This research provides insight into financial performance in the Indonesian automotive sector and highlights the limited predictive power of these financial ratios in explaining profitability within the studied context.

Keywords: Financial Risk, Market, Structural Equation Model

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INTRODUCTION

In recent years, global economic dynamics have significantly impacted the financial performance of companies across various industries. As one of the pillars of the worldwide economy, the automotive sector has experienced volatile shifts due to technological advancements, regulatory changes, and fluctuating consumer demands. These challenges are also present in Indonesia, where the automotive manufacturing sector is crucial for economic growth and development. Companies in this sector face intense domestic and international competition, requiring them to optimize their financial management, particularly in areas like liquidity, solvency, and activity, to ensure profitability and sustainability.

Meanwhile, state-of-the-art financial performance analysis uses financial ratios, including liquidity, solvency, and activity, to evaluate company profitability. These ratios are benchmarks for assessing a company's ability to manage its resources effectively and meet its financial obligations. While significant research has been conducted on the correlation between these financial ratios and profitability, the specific context of the Indonesian automotive sector remains underexplored. Research on the Indonesian automotive industry, particularly with data spanning several years, adds a valuable perspective to the existing body of knowledge on business and management subjects.

Previous studies, including those by Santoso (2014) and Sumantri (2012), have examined the impact of financial ratios on profitability in various sectors. Still, few have focused exclusively on the automotive industry in Indonesia. Furthermore, much of the existing research has been cross-sectional, failing to capture longitudinal data that can reveal trends and changes over time. This research aims to fill this gap by comprehensively analyzing the relationship between liquidity, solvency, activity, and profitability over five years (2020–2024) in Indonesian automotive manufacturing companies listed on the Indonesia Stock Exchange (BEI). Henceforth, these research questions have been established: (i) How does liquidity affect the profitability of automotive manufacturing companies listed on the Indonesia Stock Exchange (BEI) from 2014 to 2016? (ii) How does solvency impact the profitability of these companies during the same period? (iii) How does activity influence profitability in this context? (iv) How do liquidity, solvency, and activity simultaneously affect Indonesian automotive manufacturing sector profitability?

This research contributes to the existing literature by examining the Indonesian automotive manufacturing sector's financial performance, specifically how liquidity, solvency, and activity influence profitability. The urgency of this research lies in its potential to inform corporate financial strategies and investor decisions. As competition intensifies and the economic landscape becomes more unpredictable, understanding the financial drivers of profitability in this sector is crucial for sustaining.

LITERATURE REVIEW

The theoretical foundation of this research draws on the signaling theory, which explains how companies use financial reports to signal their financial health to investors and creditors. Liquidity, solvency, and activity ratios are vital financial stability and operational efficiency indicators, providing insights into a company's ability to meet its obligations and generate profits. This study focuses on three key financial ratios: liquidity, solvency, and activity. Liquidity measures a company's ability to meet short-term obligations, solvency reflects its capacity to manage long-term debt, and activity ratios assess how efficiently a company uses

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its assets to generate sales. By examining these ratios in the context of profitability (measured by Return on Equity - ROE), the research develops a comprehensive model for understanding financial performance in the automotive sector.

Statistics show that the use of case analysis methods can improve understanding of automotive industry dynamics by up to 40% compared to traditional research methods (Patel & Gupta, 2022). By analyzing different companies in varied contexts, researchers can identify key factors that contribute to financial success or failure. For example, research by Martinez and Pineda (2023) shows statistically that companies that adopt electric vehicles faster have better financial performance compared to those that are slow to adapt.

In addition, statistical analysis also plays an important role in this study. Regression analysis methods can be used to measure the relationship between independent variables, such as investment in R&D, and dependent variables, namely financial performance (Carter & Lee, 2024). By using secondary data from various sources in the form of financial ratios, researchers can test hypotheses and draw valid conclusions regarding the factors that affect the financial performance of automotive companies.

For example, in a study by Wang and Zhao (2022), researchers analyzed the financial performance of automotive supply chains and found that companies that implemented sustainability practices in their supply chains experienced a 15% increase in net profit. These findings show that sustainability is not only good for the environment but also financially beneficial. Therefore, a comprehensive, data-driven research methodology is essential for understanding the complexities of financial performance in the automotive industry.

The financial performance of an automotive company is an important aspect that reflects the health and sustainability of the business in this highly competitive industry. According to Chen and Huang (2021), financial performance can be measured through a variety of metrics, including revenue, net profit, and return on investment (ROI). In this context, automotive companies that manage their finances well tend to be better able to adapt to market and technological changes, which is increasingly important in today's digital era (Lee & Kim, 2021). Data shows that companies that undertake digital transformation can improve their financial performance by up to 20% within a three-year period (Lee & Kim, 2021). This shows that investment in information technology and digital systems is not just an option, but a strategic need to survive and thrive in a dynamic global market. In addition, the financial performance of automotive companies shows that success in the industry depends not only on traditional factors such as operational efficiency and cost control, but also on the company's ability to adapt to changing technology and consumer preferences. Research shows that companies that invest in new technologies, such as electric vehicles and sustainability practices, not only improve their financial performance, but also strengthen their position in the global market (Garcia & Torres, 2023; Robinson & Thomas, 2022).

In addition, the financial performance of automotive companies is also influenced by external factors such as macroeconomic conditions. Kim and Lee (2023) found that economic fluctuations, including inflation and interest rates, can have a significant impact on the profitability of automotive companies, especially in emerging markets. The study noted that companies operating in countries with higher economic stability showed better financial performance compared to companies in countries with economic uncertainty. This indicates the importance of understanding macroeconomic factors in formulating effective business strategies.

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A relevant case example is the automotive company Tesla, which has shown tremendous growth in its financial performance thanks to its rapid innovation and adoption of technology. In their annual report, Tesla reported a 37% increase in revenue from the previous year, which was largely due to an increase in electric vehicle sales (Garcia & Torres, 2023). This underscores the importance of innovation and adaptation to market trends in achieving optimal financial performance. Research by Smith and Jones (2022) also shows that companies that invest in innovation are 30% more likely to achieve significant profit growth compared to those that do not. In addition, the importance of innovation in improving financial performance cannot be ignored. Companies that are active in R&D and product innovation tend to have significant competitive advantages, which are reflected in their financial performance (Smith & Jones, 2022; Carter & Lee, 2024). As such, investment in innovation and new technologies can be a key driver for future growth and sustainability.

The results of previous research also show that the financial performance of automotive companies is greatly influenced by various internal and external factors. One of the key results is that companies that invest in green technologies, such as electric vehicles, experience significant improvements in their financial performance (Zhang & Wang, 2021). Data shows that electric vehicle manufacturers in China, for example, have recorded annual revenue growth of 25% in the past five years, which is much higher compared to conventional vehicle manufacturers (Zhang & Wang, 2021).

In addition, research by Robinson and Thomas (2022) shows that sustainability practices applied in the production process can increase profitability. They found that companies that implemented sustainability initiatives managed to reduce operating costs by up to 10%, which in turn increased profit margins. This shows that sustainability is not only an ethical aspect, but also a smart business strategy.
From an innovation perspective, Smith and Jones (2022) note that companies that are active in research and development (R&D) have better financial performance. In their study, it was found that every dollar invested in R&D can result in a $3 increase in revenue in the long run. This shows that investing in innovation can deliver significant results for automotive companies.

However, it is important to note that not all automotive companies have successfully adapted to these changes. Research by Kim and Lee (2023) shows that companies that are slow to adopt new technologies or adapt to market changes experience a decline in financial performance. For example, some traditional car manufacturers in Europe are experiencing a decline in market share because they have failed to switch to electric vehicles quickly. This emphasizes the importance of responding quickly to changing consumer trends and preferences.

Overall, the results of this study show that to achieve optimal financial performance, automotive companies need to integrate sustainability, innovation, and response to market changes in their business strategies. This will ensure that they not only survive, but also thrive in this increasingly competitive industry.

Based on the results of previous research, there are several suggestions that can be given to automotive companies to improve their financial performance. First, companies need to develop strategies that focus more on innovation and new technologies. Investment in R&D and green technologies should be a top priority, given the global trend that is increasingly leaning towards sustainability and electric vehicles (Zhang & Wang, 2021; Nelson & King,

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2024). Second, companies also need to pay attention to macroeconomic factors that can affect their financial performance. A better understanding of local and global economic conditions can assist companies in formulating more effective strategies (Kim & Lee, 2023). For example, companies can develop planning scenarios that consider various possible economic conditions to mitigate risks. Additionally, it is important for companies to build strategic partnerships and alliances with other companies in the industry. Collaboration can open up opportunities to share resources, technology, and knowledge that can improve overall financial performance (Wong & Choi, 2024), which ultimately, companies must continue to monitor and evaluate their performance regularly. Using relevant metrics and a transparent reporting system can assist companies in identifying areas for improvement and optimizing their strategies to achieve better financial goals (O'Connor & McCarthy, 2023).

Thus, it can be concluded that the financial performance of automotive companies is influenced by a combination of internal and external factors, including investment in technology, response to macroeconomic conditions, and the ability to innovate. Therefore, companies need to develop a holistic and integrated strategy to ensure sustainability and future growth.

RESEARCH METHODOLOGY

RESEARCH DESIGN

The research methodology used in the research on the financial performance analysis of automotive companies involves various approaches that can provide in-depth insights into the factors that affect financial performance. One commonly used approach is quantitative analysis using a structural equation model, in which researchers examine specific companies to understand the best practices and challenges they face, referring to research (Chen & Huang, 2021). Through this approach, researchers collect relevant quantitative data to identify patterns and trends in financial performance such as solvency ratio, liquidity ratio and profitability ratio.

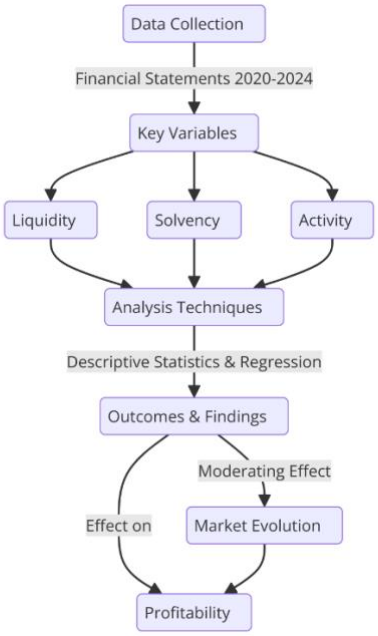

Figure 1:

This study uses a quantitative approach with the aim of analyzing the relationship between

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financial ratios, namely liquidity, solvency, and activity, on profitability in automotive manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2020 to 2024. Profitability in this study is measured using Return on Equity (ROE), which is the main indicator to evaluate a company's financial performance

DATA COLLECTION

The data used is secondary data taken from the monthly financial statements of automotive companies published on the stock exchange from 2020-2024. These financial statements include information regarding liquidity ratios, solvency, activity, and profitability. The dependent variable in this study is profitability, while the independent variable consists of three groups of financial ratios, namely liquidity ratio, solvency, and activity.

MEASUREMENT

In this study, there are two types of variables used: independent variables and bound variables. The independent variable is the variable that affects the change in the bound variable, while the bound variable is the variable that is affected by the independent variable. In the context of this study, the independent variable includes liquidity, solvency, and activity, while the bound variable is profitability. Here is the definition and explanation of each variable used:

LIQUIDITY

Liquidity refers to the company's ability to meet short-term obligations on time. According to Harahap (2013:301), the liquidity ratio measures the extent to which a company's current assets can cover current liabilities. A high liquidity ratio indicates that the company has a better ability to meet such obligations. If the liquidity ratio or current ratio is at 1:1 or 100%, it means that current assets can fully cover current debt. A safer ratio is if the value is greater than 1 or 100%, which indicates that the company has greater current assets than its current liabilities. The formula used to calculate the current ratio is as follows:

$$Current\ Ratio\ (CR) = \frac{Current\ Asset}{Current\ Liability} x\ 100\%$$

SOLVENCY

Solvency measures a company's ability to meet its long-term obligations, including short-term and long-term debt. Kasmir (2013) explained that the Debt-to-Equity Ratio (DER) is one of the ratios used to assess the solvency level of a company. DER is calculated by comparing the company's total debt with its equity. The higher the DER, the greater the company's risk due to its high dependence on debt. The formula used to calculate DER is as follows:

$$Debt\ to\ Equity\ Ratio\ (DER) = \frac{Total\ Debt}{Equity}\ x\ 100\%$$

ACTIVITIES

Activities measure the effectiveness of a company in using its assets to generate sales. Kasmir (2015:184) explains that activity ratios, such as inventory turnover, are used to measure the number of times inventory of goods is replaced in a period or a year. The higher the inventory

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turnover, the more efficient the company is in managing its inventory. However, too high turnover can signal a shortage of inventory, which can disrupt the production or sales process. The formula for calculating inventory turnover according to Sartono (2012:119) is as follows:

$$Inventory\ Turnover(ITO) = \frac{Cost\ of\ Goods\ Sold\ (COGS)}{Inventory\ (mean)} x\ 100\%$$

BOUND VARIABLE: PROFITABILITY

Profitability, as a bound variable, is measured to know how well a company generates profits or gains from the invested capital. According to Sugiono (2009:71), *Return on Equity* (ROE) is one of the indicators used to measure business success based on the return on capital owned. ROE shows the efficiency of a company in using equity to generate net income. The formula used to calculate ROE is as follows:

$$ROE = \frac{Net\ Income}{Shareholder'sEquity} x100\%$$

With a deeper understanding of these variables, this study can measure the influence of liquidity, solvency, and activity on a company's profitability.

DISCUSSION AND RECOMMENDATIONS

In this study, several data analysis techniques are employed to ensure accurate and relevant results. Descriptive Statistical Analysis is initially used to describe the collected data. This technique provides a general overview of the variables under investigation, such as liquidity, solvency, activity, and profitability, without making broader generalizations. Through this analysis, researchers can understand the distribution and basic characteristics of each variable. Classical Assumption Tests** are conducted before proceeding to ensure the data meets the necessary assumptions for regression analysis. These tests include normality tests to ensure data distribution is normal, multicollinearity tests to ensure there are no strong linear relationships among independent variables, and autocorrelation tests to ensure there is no correlation between residuals in the regression model. These tests are crucial to confirm that the data meet the necessary assumptions for regression analysis.

Following the assumption tests, Multiple Linear Regression Analysis is utilized to examine the influence of independent variables—liquidity, solvency, and activity—on the dependent variable, profitability. This method allows researchers to determine the extent to which each independent variable affects the dependent variable, both individually and collectively. Multiple linear regression helps identify which variables have a significant impact on profitability.

To further validate the findings, Hypothesis Testing is performed to assess the partial and simultaneous effects of the independent variables on the dependent variable. The t-test is used to evaluate the partial influence of each independent variable on profitability, while the F-test is used to assess the simultaneous influence of all independent variables on the dependent variable. The results of these tests help determine the statistical significance of the independent variables' effects.The Coefficient of Determination (R^2) is employed to measure the extent to which the independent variables explain the variability of the dependent variable. This study uses the Adjusted R Square, which indicates the percentage of profitability variability that can

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be explained by liquidity, solvency, and activity. The Adjusted R Square value provides insight into how well the regression model explains the data variability.

By utilizing these data analysis techniques, the study provides in-depth insights into the relationships between the variables under investigation and ensures that the results obtained are reliable and valid. In this study, several data analysis techniques are employed to ensure accurate and relevant results. Descriptive statistical analysis was initially used to describe the collected data. This technique provides a general overview of the variables under investigation, such as liquidity, solvency, activity, and profitability, without making broader generalizations. Through this analysis, researchers can understand the distribution and basic characteristics of each variable.

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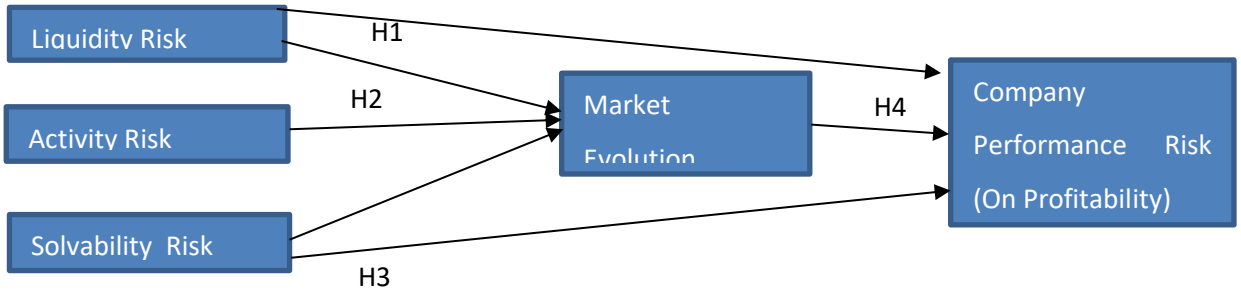
To further validate the findings, Hypothesis Testing is performed to assess the partial and simultaneous effects of the independent variables on the dependent variable. The t-test was used to evaluate the partial influence of each independent variable on profitability. In contrast, the F-test was used to assess the simultaneous influence of all independent variables on the dependent variable. The results of these tests help determine the statistical significance of the effects of the independent variables. Finally, the Coefficient of Determination (R^2) is employed to measure the extent to which the independent variables explain the variability of the dependent variable. This study used the Adjusted R Square, which indicates the percentage of variability in profitability that can be explained by liquidity, solvency, and activity. The Adjusted R Square value provides insight into how well the regression model explains the data variability. By utilizing these data analysis techniques, the study provides in-depth insights into the relationships between the variables under investigation and ensures that the results obtained are reliable and valid.



Source: Horobet,et.al (2021)

HYPOTHESIS

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H1: Liquidity has a positive and significant influence on profitability. The higher the company's ability to meet its short-term obligations, the better its profitability.

H2: Solvency has a positive and significant influence on profitability. A healthy capital structure with controlled debt levels is expected to increase the company's profitability.

H3: Activity has a positive and significant influence on profitability. Efficiency in the use of assets will increase sales and ultimately increase profitability.

H4: Liquidity, solvency, and activity simultaneously have a positive and significant influence on profitability moderated by Market Evolution. These three variables together play a role in determining the profitability performance of automotive companies.

RESULTS AND DISCUSSION

RESULT

The following Table 1 explains the results of this study's statistical descriptive data. Upon examining the descriptive statistics, we observe a consistent sample size of 56 across all variables, ensuring uniformity in the data analyzed. The minimum values for all variables are 0, while the maximum values hover around 2.2, with the exception of X2 and X2M, which peak at 2.08. This indicates a similar range of data across the board.

Transitioning to the central tendency, the mean values range from 1.025 to 1.196, suggesting that the central tendency of the data is relatively uniform across the different variables. The standard deviations, which fall between 0.627 and 0.696, reveal that the data's variability is not extensive and remains fairly consistent among the variables. Furthermore, the variances, spanning from 0.393 to 0.484, align with the standard deviations, reinforcing the observation of consistent variability.

Overall, the descriptive statistics do not present any anomalies. The variables exhibit consistency in terms of sample size, range, mean, standard deviation, and variance.

	N	Minimum	Maximum	Mean		Std. Deviation	Variance
Variable	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
X1	56.000	.000	2.200	1.113	.086	.644	.415
X2	56.000	.000	2.080	1.196	.084	.627	.393
X3	56.000	.000	2.200	1.194	.089	.665	.443
X4	56.000	.000	2.200	1.025	.091	.684	.468
M	56.000	.000	2.200	1.191	.087	.648	.419

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X1M	56.000	.000	2.200	1.066	.093	.696	.484
X2M	56.000	.000	2.080	1.188	.088	.659	.434
X3M	56.000	.000	2.200	1.152	.091	.683	.467

The Cronbach's Alpha value of 0.924 indicates a high level of internal consistency, suggesting that the items in the scale are highly reliable. With a value above 0.9, the reliability is considered excellent, demonstrating that the items are well-correlated and measure the same underlying construct consistently. The scale consists of 8 items, and the analysis is based on 56 observations, resulting in 54 degrees of freedom. This high-reliability score implies that the responses to these items are consistent, providing confidence in the scale's ability to measure the intended construct accurately.

Cronbach's Alpha	k (df=54)
0.924	8

The validity results demonstrate that all items contribute positively to the scale's reliability and consistency. The high corrected item-total correlations above 0.5 and stable Cronbach's Alpha values suggest that each item is an integral part of the scale, supporting its overall validity.

Variables	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
X1	27.0714	146.358	.808	.910
X2	26.6607	154.010	.775	.912
X3	26.9464	157.724	.743	.915
X4	26.6250	162.275	.700	.918
M	26.8571	163.834	.732	.916
X1M	26.8750	152.693	.743	.915
X2M	26.7143	157.444	.778	.912
X3M	27.1250	158.039	.697	.918

The R Square value of 0.591 means that approximately 59.1% of the variability in the dependent variable can be explained by the model. This indicates a moderate level of explanatory power, showing that the model accounts for a significant portion of the variance in the dependent variable. This suggests that the model is relatively effective in explaining and predicting the dependent variable based on the independent variables included.

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Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.782[a]	0.591	0.485	1.44665

The asymptotic Significance (2-tailed) value is 0.200 (p val=0.05) . This value, adjusted using the Lilliefors Significance Correction, is a lower bound of the true significance. In practical terms, a significance value greater than 0.05 suggests that there is not enough evidence to reject the null hypothesis that the data is normally distributed. In this case, the value of 0.200 indicates that the residuals do not significantly deviate from normality. Moreover, the results of the Kolmogorov-Smirnov test suggest that the unstandardized residuals are normally distributed, as the test statistic is low, and the significance value is high. This supports the assumption of normality, which is important for many statistical analyses.

Aspects		Unstandardized Residual
N		56
Normal Parameters[a,b]	Mean	0.000
	Std. Deviation	1.351
Most Extreme Differences	Absolute	0.072
	Positive	0.072
	Negative	-0.046
Test Statistic		0.072
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal ; b. Calculated from data;c. Lilliefors Significance Correction; This is a lower bound of the true significance.

Starting with the constant, the intercept value of 1.313 is significant (p = 0.010). This indicates that when all independent variables are zero, the dependent variable has a baseline value of 1.313. This baseline serves as a reference point for understanding the effects of the other variables. In the meantime, the liquidity ratio (X1), the coefficient is 0.367, with a significant p-value (0.009). This suggests that for each unit increase in the liquidity ratio, the dependent variable increases by 0.367 units, holding other variables constant. The positive beta (0.461) indicates a strong positive relationship, highlighting the importance of liquidity in influencing the dependent variable. Moving on to the solvability ratio (X2), the coefficient is 0.249, but it is not statistically significant (p = 0.100).

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This implies that the solvability ratio does not have a significant direct effect on the dependent variable in this model. However, the interaction effects will provide further insights into its role. The activity ratio (X3), the coefficient is 0.043, with a non-significant p-value (0.765). This indicates that the activity ratio does not significantly affect the dependent variable. Again, the interaction with market evolution may reveal more about its impact. Considering the market evolution (M), the coefficient is -0.017, with a non-significant p-value (0.913). This suggests that market evolution, as a standalone variable, does not significantly impact the dependent variable. However, its role as a moderator is crucial in understanding the interactions.

Delving into the interaction effects, the interaction between the solvability ratio and market evolution (X2M) has a coefficient of -0.164, with a significant p-value (0.011). This indicates that as market evolution increases, the positive effect of the solvability ratio on the dependent variable decreases. In practical terms, this means that in more evolved markets, the impact of a company's solvability on the dependent variable is reduced. Companies in more mature markets might need to focus on other factors beyond solvability to maintain or improve their performance. Similarly, the interaction between the activity ratio and market evolution (X3M) has a coefficient of -0.192, with a significant p-value (0.001). This suggests that as market evolution increases, the positive effect of the activity ratio on the dependent variable decreases. In more evolved markets, the benefits of high activity ratios are less pronounced. Companies in these markets may need to adapt their strategies, possibly by innovating or diversifying their activities, to sustain their performance.

Variables	B	Std. Error	Beta	t	Sig.
(Constant)	1.313	0.489		2.685	0.010
X1	0.367	0.134	0.461	2.743	0.009
X2	0.249	0.148	0.277	1.677	0.100
X3	0.043	0.144	0.046	0.301	0.765
M	-0.017	0.159	-0.016	-0.110	0.913
X1M	-0.122	0.139	-0.145	-0.875	0.386
X2M	-0.164	0.158	-0.169	-1.039	0.011
X3M	-0.192	0.164	-0.002	-1.169	0.001

DISCUSSION

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Liquidity Ratio Effect

The liquidity ratio is found to have a significant positive effect on profitability, suggesting that companies with better short-term financial health are likely to perform well. A positive beta coefficient indicates that an increase in liquidity is associated with an increase in profitability.

Solvability and Activity

These ratios do not show a significant direct impact on profitability. However, when considering market evolution as a moderating factor, the effects of solvability and activity ratios are influenced. In more evolved markets, their impacts are diminished, implying that mature market conditions reduce the significance of these ratios on profitability.

Market Evolution

Market evolution plays a critical role as a moderating factor, which reduces the positive impact of solvability and activity ratios on profitability. This suggests that as markets mature, other factors beyond solvability and activity ratios may become more relevant in influencing profitability.

Strategic Implications

The regression analysis reveals that while the liquidity ratio has a significant positive effect on the dependent variable, the solvability and activity ratios do not have significant direct effects. However, market evolution moderates the effects of these ratios, reducing their impact in more evolved markets. This highlights the importance of considering market evolution when evaluating the effects of solvability and activity ratios and suggests that companies in mature markets should adapt their strategies accordingly. The findings indicate that companies in the automotive sector, especially in more mature markets, should adapt their financial strategies beyond traditional metrics like solvency and activity. They may need to focus on other aspects such as innovation, cost management, and operational efficiency.

CONCLUSION

In general, the results of the study show that liquidity, solvency, and activities partially or simultaneously do not have a significant influence on the profitability of automotive companies listed on the IDX in the 2014-2024 period. Nonetheless, these findings provide valuable

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information for companies to consider other factors that may be more influential in improving profitability, such as cost management and operational efficiency. This research provides several suggestions for companies and investors, namely: Companies should use loans more effectively to improve the production process and obtain higher profits. In addition, investors are advised not only to focus on certain financial ratios such as liquidity, solvency, and activity, but also to consider other external factors before making investment decisions.

By implementing these suggestions, automotive companies can increase their competitiveness and ensure long-term sustainability in an increasingly complex and competitive market

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