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PROFIT GROWTH, LIQUIDITY, AND PROFITABILITY ON PROFIT QUALITY

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ABSTRACT

Profit quality is very important information related to the company's financial health. The research aims to assess and describe the effect of profit growth, liquidity and profitability on profit quality. Research includes quantitative research. Research materials using food and beverage manufacturing companies on the Indonesia Stock Exchange for the 2019-2021 period. The sample used 19 companies. Multiple linear regression is a technique used in data analysis. The results prove that profit growth and liquidity do not affect profit quality, while profitability affects profit quality. This research is used as a helper for entities and external parties in order to determine the quality of profit in an entity.

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1. INTRODUCTION

Entity profit is very important information for investors or shareholders, therefore each entity is competing as much as possible to get as much profit as possible. With this profit, it is used as income from an entity but is not stated as the origin of profit only but in accordance with what is determined in general in the entity or can be said as a forum to assess the extent of an entity's operational performance. Where when profits on an entity are higher, the company is able to use its assets well so as to achieve high profit targets (Veronica, 2021).

This is associated with signal theory informing shareholders (investors) about a picture of the condition of the entity (Gumanti, 2018). The Covid-19 pandemic is the biggest impact on the economy even to the world in 2020. During the Covid-19 pandemic, many entities experienced a very significant decline in profits from all sectors. One of them is the food and beverage industry entity as one of the entities that plays a very important role in their daily lives which has the opportunity to be hampered during covid 19. However, unlike the previous year, 2019 experienced an increase in profit every month before the onset of covid 19.

Reporting from the news (kontan.co.id) in the third quarter of 2019 before the Covid-19 pandemic, food and beverage companies experienced excellent growth rates. For example, PT. Sariguna Primatirta (CLEO) recorded a significant increase in revenue from the previous year, which was 30.64% or around Rp 593.76 billion to Rp 775.69 billion in 2019, with the same quarter. Not only PT. Sariguna Primatirta (CLEO), but also PT. Mayora Indah (MYOR) and PT. Nippon Indosari Corpindo (ROTI) also experienced high profit growth. PT. Mayora Indah (MYOR) recorded an increase in profit of 15.8% or around Rp 1.71 trillion year on year, while PT. Nippon Indosari Corpindo (ROTI) recorded profit growth of 74.30% or around Rp 172.68 billion.

However, at the beginning of the emergence of the Covid-19 pandemic in March 2020, the situation changed drastically. This has a negative impact on the profits of food and beverage companies, as experienced by PT. Garudafood (GOOD) in the first quarter of 2020. Profit revenue of PT. Garudafood (GOOD) decreased by 1.75% or around Rp 2.24 trillion. Although several companies experienced a decline in profits, the food and beverage manufacturing sector still recorded positive growth in 2020. However, in the third quarter of 2021 (dataindonesia.id), food and beverage companies were able to grow and record high revenues amid the Covid-19 pandemic. The growth reached 3.49% or around Rp 202.38 trillion.

The quality of profit really needs to be developed because information about the profit of an entity has a very important role for investors in making investment decisions. The quality of profit can be seen from the best performance of the entity in preparing financial statements accurately. Profit quality is a fact related to financial statements that can prove the extent to which the information influences investor decisions in valuing companies (Gina &; Dela, 2021).

One indicator that affects profit quality is profit growth, both a decrease and an increase in an entity's profit expressed as a percentage (Nadila &; Fadjrih, 2020). If profits increase, then the resulting profitability will be of good quality, and sustainable profit growth can attract investors. When a company achieves profit growth, it can also be used to forecast future earnings. In this variable study, the calculation uses net profit in the current period compared to the previous period. Studies conducted by (Puspitawati et al., 2019) show that profit growth has a positive influence on profit quality. However, a different analysis conducted by (Siti &; Robiur, 2020) proves that profit growth has no influence on profit quality.

Another cause that affects profit quality is liquidity, namely the ability of entities to pay short-term debt using current assets (Luas et al., 2021). It is measured using a proxy current ratio (CR) that describes the comparison between current assets and current debt. A high level of liquidity signals that the company has a good ability to meet short-term obligations. A study (Marpaung, 2019) found a negative influence of liquidity on profit quality, but another study (Charisma &; Suryandari, 2021) showed that liquidity had no influence on profit quality.

In addition, profitability is also a factor that affects the quality of profits. Profitability reflects an entity's ability to generate profits within a certain period of time (Teguh &; Khoirunnisa, 2022). Profit is an important element for the company in attracting investors and planning the future of the company. To achieve good profits, companies must improve overall performance. When the company's performance is good, the profits generated will have better quality, and this can attract shareholders to invest their funds in the company. This measurement uses a proxy return on assets (ROA) that calculates the ratio between total assets and net income. Research (Gusmiarni &; Desnirita, 2019) found a negative influence of profitability on profit quality, but other studies (Wahyu Amalia, 2022) showed that profitability had no influence on profit quality.

Based on the explanation above, there is a formulation of the problem that can be formulated, namely whether profit growth, liquidity, and profitability have an influence on profit quality. This analysis aims to prove and elaborate whether the independent variable affects the dependent variable, namely the quality of profit. The formulation of the problem will examine the relationship between profit growth, liquidity, and profitability with profit quality. The purpose of this analysis is to gain a clearer understanding of whether these variables contribute to the quality of profit as a dependent variable.

Literature Review

Signaling Theory

Signal theory is based on differences in information between company management and shareholders, which is often referred to as information asymmetry (Brigham, 2019). The company's management seeks to provide positive information or signals to investors regarding the development of company profits. However, shareholders are often skeptical of such information because they assume that managers have a vested interest. This information is usually presented in the form of financial statements, and to ensure the quality of the profits generated, management must comply with applicable accounting standards. This accounting standard aims to prevent the practice of exaggerating profits and is important in influencing investor decisions based on the quality of information available on the entity (Gumanti, 2018).

The theory explained by (Siti &; Robiur, 2020) explains how an entity conveys information to users of the company's financial statements properly and accurately. This theory discusses how entities can provide precise and reliable information to users of financial statements. In this theory, it is also explained the importance of the accuracy and reliability of the information submitted by the entity. This means that the entity must ensure that the financial statements presented are in accordance with applicable accounting standards and reflect the company's financial condition properly.

Profit Growth

Profit growth is the change in an entity's profits from period to period (Sumertiasih &; Yasa, 2022). If profit growth has a positive value, this gives a positive signal to the company's performance, while if profit growth is negative, it indicates a problem in profit management. Increased profit growth shows that the company is successful in managing profits and has good financial performance. In this study, profit growth is calculated as the difference between the current year's net profit and the previous year's net profit, which is then divided by the previous year's net profit (Kurniawan &; Aisah, 2020).

Profit growth is an important indicator in assessing the quality of profit of an entity. If profit growth increases from year to year, this shows that the company is able to generate quality profits. However, if profit growth declines, this may indicate a problem in profit management. Therefore, profit growth needs to be considered in analyzing the financial performance of a company. In this study, profit

growth is measured as the difference between net profit in the current year and net profit in the previous year, which is then divided by net profit in the previous year (Kurniawan &; Aisah, 2020).

Liquidity

Liquidity is the ability of an entity to meet its short-term obligations using current assets. A high level of liquidity indicates that the entity has a good financial condition and is able to pay all short-term obligations in a timely manner (Ginting, 2017). In this study, the current ratio (CR) is used as a liquidity calculation method by dividing total current assets by current debt. Current ratio (CR) calculation is one way to measure the level of liquidity of an entity. In this study, the current ratio is used as a liquidity ratio by dividing total current assets by current debt (Ginting, 2017). A high level of liquidity indicates that the entity has enough current assets to pay its current liabilities. Therefore, the current ratio is a relevant indicator in evaluating the level of liquidity and finance of an entity.

Profitability

Profitability is the ability of an entity to generate and value profits using the assets owned. One method used to measure profitability is return on assets (ROA), which is calculated by dividing profit after tax by total assets (Rizqy, 2019). A high ROA rate indicates that the company is able to generate good profits by utilizing its assets. The use of return on assets (ROA) as a profitability indicator provides an overview of the company's effectiveness in generating profits using its assets (Rizqy, 2019). The higher the ROA rate, the better the company is at making profits by utilizing its assets. ROA provides important information for investors and other stakeholders to evaluate a company's financial performance and determine its level of profitability.

Profit Quality

Profit quality reflects the actual financial performance of an entity in its financial statements, and this aims to attract external parties to invest (Gina &; Dela, 2021). When the quality of profit is high, external parties will be interested in the company's profit information. One indicator of good profit quality is an increase in company profits. When the company experiences significant profit growth, the company's profit can be said to be quality. Profit quality is important because accurate and credible profit information can provide a clear picture of an entity's financial performance (Gina &; Dela, 2021). When the company's profit is quality, external parties such as investors will feel confident and interested in investing in the company. Therefore, high profit growth is a positive indication of the quality of the company's profits, because it shows the company's ability to generate significant profits.

Conceptual framework

Based on the description above, it can be built research framework as follows:

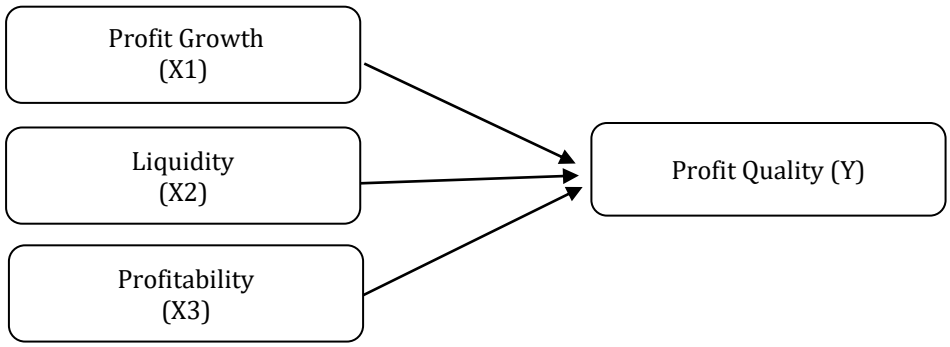

Figure 1. Conceptual Framework
Source: data processed 2022

Research Hypothesis

The Effect of Profit Growth on Profit Quality

Profit growth is a reflection of the performance of an entity in a certain period. When an entity experiences profit growth, it shows that the company managed profits well. Significantly growing profits indicate high profit quality. Several studies, such as those conducted by Puspitawati et al. (2019) and Kurniawan &; Aisah (2020), have proven that profit growth has a positive influence on profit quality. Research conducted by Puspitawati et al. (2019) and Kurniawan &; Aisah (2020) states that profit growth plays an important role in improving the quality of profit of an entity. When an entity experiences positive profit growth, it shows that the company has succeeded in managing profits well. With significant profit growth, the quality of the company's profits also increased.

H_1: Profit Growth affects profit quality

The Effect of Liquidity on Profit Quality

Liquidity describes an entity's ability to pay its short-term obligations. When an entity's liquidity is high, this shows that the company's finances are considered very good and able to pay off all its debts within the specified time (Marpaung, 2019). In research conducted by Rahmadini & Mayar (2020), it was found that liquidity has a positive influence on profit quality. However, research conducted by Septiano et al. (2022) shows a negative influence of liquidity on profit quality.

Research conducted by Rahmadini & Mayar (2020) concluded that liquidity has a positive influence on the quality of an entity's profit. When an entity's liquidity is high, this shows that the company's finances are considered very good and able to pay off all its debts within the specified time. However, research conducted by Septiano et al. (2022) found that liquidity has a negative influence on profit quality.

H_2: Liquidity affects the quality of profits.

The Effect of Profitability on Profit Quality

The power of an entity in creating profits or profits through assets has a close relationship with the quality of profits generated. The higher the level of profitability, the more qualified the profit generated by the entity, and the better the information conveyed to shareholders. However, there are studies that indicate a negative effect of profitability on profit quality.

Research conducted by Gusmiarni &; Desnirita (2019) and Indriana et al. (2021) concluded that profitability has a negative influence on profit quality. Although the entity is able to achieve a high level of profitability, this does not always guarantee the quality of the profits generated. There are other factors that need to be considered in assessing the quality of an entity's profits, so the effect of profitability on the quality of profits can vary.

H_3: Profitability affects profit quality

2. METHOD

Types of research

This research uses a type of quantitative research that aims to measure and analyze data statistically. The research data was obtained from secondary data sources, namely the financial statements of the Indonesia Stock Exchange. The population in this study consists of 43 manufacturing entities in the food and beverage sector listed on the Indonesia Stock Exchange (IDX) in the 2019-2021 period. To select samples, a purposive sampling method is used that takes samples according to specified criteria.

Sampling technique

Thus, this study focuses on analyzing statistical data from the population of food and beverage sector manufacturing entities listed on the Indonesia Stock Exchange. The data used are secondary and selected by purposive sampling method to ensure the sample matches the research criteria.

Qualification	Total
Food and beverage sector entities listed on IDX for the period 2019 – 2021	43
Presenting incomplete financial statements for the period 2019 - 2021	(14)
Presenting complete financial statements for the period 2019 -2021	29
Present loss-making financial statements	(10)
Presenting profit financial statements and at the same time being a total research sample	19

Source: data processed 2022

Based on predetermined criteria, the number of samples studied in this study was 19 food and beverage companies for 3 years. The data used in this study involved 42 samples of companies, while previously there were 57 samples of companies. Thus, the study took samples from 19 food and beverage companies over a 3-year period. The data used in the study consisted of 42 company samples, reducing from the previous number of samples which reached 57 companies.

Operational Definition of Research Variables

1. Profit growth
   Explain the development of profit growth in the coming period (Septiano et al., 2022). Profit growth calculation formula:
   $$Growthprofit = \frac{\text{Laba Bersih periode berjalan} - \text{Tahun sebelumnya}}{\text{Laba Bersih periode berjalan}}$$
2. Liquidity
   The entity's ability to pay short debts when they are due (Ginting, 2017). The formula for measuring liquidity using *the proxy current ratio (CR)* is obtained:

$$Current\ Ratio = \frac{\text{aktiva lancar}}{\text{Utang jangka pendek}}$$

3. Profitability
   The company's ability to make a profit or the company's ability to assess profits. (Gusmiarni &; Desnirita, 2019). Formula for measuring profitability using *proxy return on assets (ROA):*

$$Return\ On\ Asset = \frac{\text{Laba setelah pajak}}{\text{Total aktiva}}$$

4. Profit Quality
   Quality profit describes the profit of the next period seen accrual and cash positions that show the actual performance of the entity, (Wati & Putra, 2017). The formula for measuring the quality of profit is obtained through:

$$Quality\ Of\ Income = \frac{\text{Arus kas operasi}}{\text{Laba sebelum kena pajak}}$$

3. RESULT AND DISCUSSION

Normality Test

In data analysis, data distribution is used to evaluate whether the data has a normal distribution (Bahri, 2018). One of the methods used is the Kolmogorov-Smirnov One-sample method. This method checks whether the data follows a normal distribution by using a special technique. If the sig value is greater than 0.050, then the data is considered normal, and vice versa. In the results of the Kolmogorov-Smirnov One-Sample test, a sig value of 0.080 was obtained, which exceeded the limit of 0.050. This suggests that the data in this study had a near-normal distribution. Thus, it can be concluded that the data used in the study tend to follow the normal distribution.

Multicollinearity Test

In this study, a test was conducted to evaluate whether there is a correlation between independent variables or not. To test this correlation, Bahri (2018) used the variance inflation factor (VIF) method. This method is used to identify the existence of multicollinearity problems between independent variables in regression analysis. Multicollinearity occurs when there is a strong linkage between two or more independent variables, which can cause problems in the analysis and interpretation of regression results. Through the use of VIF, researchers can evaluate the degree of multicollinearity by examining the variance inflation factor of each independent variable. If the VIF value of a variable exceeds the specified limit, usually 5 or 10, it indicates significant multicollinearity and action needs to be taken to address the problem, such as removing variables that have a high VIF or performing data transformations. Therefore, the use of the VIF method in this study aims to identify possible multicollinearity problems and ensure the validity and validity of the regression analysis performed.

Variable	Collinearity Statistics	
	Tolerance	VIF
Profit Growth	,785	1,274
Liquidity	,845	1,183
Profitability	,716	1,397

Source: SPSS 2022

In this study, an analysis of three independent variables, namely profit growth, liquidity, and profitability, was carried out using the variance inflation factor (VIF) method to test the multicollinearity between these variables. Based on the results documented in Table 2, VIF values for profit growth of 1,274, liquidity of 1,183, and profitability of 1,397 were obtained. It is important to note that in VIF analysis, if the VIF value of a variable exceeds a specified limit, usually 5 or 10, this indicates a strong indication of multicollinearity that can affect the results and interpretation of regression analysis.

However, in this case, it is seen that all VIF values of the three independent variables are below the specified limit, which is less than 10. This suggests that there was no strong indication of multicollinearity between profit growth, liquidity, and profitability in this study. Therefore, it can be concluded that the three independent variables are not significantly correlated with each other in the regression analysis performed. This gives confidence that these variables can be considered as independent variables and make a unique contribution to the dependent variable, namely the quality of profit. Thus, the results of this VIF analysis show that the use of three independent variables in this study does not cause significant multicollinearity problems and can be relied upon for subsequent analysis related to profit quality.

Autocorrelation Test

In order to test the existence of autocorrelation in observations sorted by time, this study uses the run test method described by Bahri (2018). The results of the run test showed a test value of -0.07302 with a significance value of 0.274. To interpret the results of this test, it is important to compare the significance value with the specified confidence level, which generally uses a confidence level of 5% or 0.05.

In this case, the significance value of 0.274 is greater than the confidence level of 0.05. That is, there is not enough statistical evidence to support the hypothesis of autocorrelation in observations ordered by time. Therefore, based on the results of this run test, it can be concluded that no autocorrelation is identified in the data. This suggests that observations sorted by time do not show significant patterns or dependent relationships between one observation and the previous observation. Thus, it can be considered that the data used in this study satisfy the assumption of the absence of autocorrelation and are reliable for further analysis.

Multiple Regression Analysis

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,294	,154		8,393	,000
	PERT_LABA	,240	,130	,315	1,850	,072
	LIQUIDITY	,044	,054	,134	,818	,418
	PROFITABILITY	-,027	,012	-,403	-2,263	,029

Source: SPSS 2022

In table 3 above shows the results of multiple linear regression analysis that explains independent and dependent variables, then the regression equation model is as follows:

Profit quality = 1.294 + 0.240Pert_laba + 0.044Liquidity - 0.027Profitability) + e

Regression analysis in this study produces several constant values that provide information about the relationship between independent variables (profit growth, liquidity, and profitability) and dependent variables (profit quality). First, a constant value of 1.294 indicates that when no variables of profit growth, liquidity, and profitability contribute, the value of profit quality is assumed to increase by 1.294. In other words, the value of this constant represents an effect or improvement in the quality of profit that is not explained by the independent variable in the regression model.

Second, the value of the profit growth coefficient of 0.240 indicates that there is a positive unidirectional relationship between profit growth and profit quality. When profit growth increases by one unit, then the quality of profit is expected to increase by 0.240. This indicates that companies with high profit growth tend to have better profit quality. Furthermore, the results of the analysis show that liquidity also has a positive influence on the quality of profits. With a liquidity coefficient of 0.044, each one-unit increase in liquidity is expected to improve the quality of profit by 0.044. This illustrates that companies with higher liquidity have a tendency to have better profit quality.

However, the profitability variable shows the opposite relationship with the quality of profit. With a profitability coefficient value of -0.027, every one unit decrease in profitability is followed by a decrease in profit quality by 0.027. This indicates that the lower the profitability of the company, the lower the probability of the quality of profits generated. Thus, the results of this regression analysis provide an understanding of the relationship between independent variables (profit growth, liquidity, and profitability) with dependent variables (profit quality) as well as the direction and magnitude of influence of each variable on profit quality.

Coefficient of Determination

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,369[a]	,136	,068	,34806	2,481

Source: SPSS 2022

In this study, the results of the regression analysis in table 4 showed an Adjusted R Square value of 0.068. This value indicates that the effect described by the independent variable (profit growth, liquidity, and profitability) on the dependent variable (profit quality) is 6.8%. In other words, the variables in this regression model are able to explain about 6.8% of the variation that occurs in the quality of profits.

However, the remaining 93.2% variation in profit quality still cannot be explained by these variables in the model. This indicates that there are other factors that affect the quality of profit beyond the variables of profit growth, liquidity, and profitability that have been studied. These factors may include other variables not included in the regression model, external factors such as market or industry

conditions, as well as other internal factors not covered by the variables studied. Thus, although the variables of profit growth, liquidity, and profitability have an influence of 6.8% on the quality of profits, there are still most variations in profit quality that cannot be explained by these variables.

Test the hypothesis

In this study, a hypothesis test was conducted to test the effect of the independent variable on the dependent variable. In hypothesis testing, a significance value (sig) greater than 0.050 indicates that the independent variable does not have a significant influence on the dependent variable, whereas if the sig value is smaller than 0.050, then the independent variable is considered to have a significant influence on the dependent variable. The results of this hypothesis test are referred to from research conducted by Bahri (2018). In the context of this study, tests were carried out on the variables of profit growth, liquidity, and profitability on profit quality. The test results show that the sig value for profit growth is 0.072, which is greater than 0.050. This shows that profit growth does not have a significant effect on profit quality, so the hypothesis (H1) is rejected.

Furthermore, the test results on the liquidity variable showed a sig value of 0.418, which is also greater than 0.050. That is, liquidity does not have a significant effect on the quality of profit, so the hypothesis (H2) is rejected. However, the results of testing the profitability variable showed a sig value of 0.029, which is smaller than 0.050. This suggests that profitability has a significant influence on the quality of profits, so the hypothesis (H3) is accepted. Based on the results of testing the hypothesis, it can be concluded that in this study, only profitability variables have a significant influence on profit quality, while profit growth and liquidity variables do not have a significant influence on profit quality. These findings suggest the importance of considering other factors that could affect profit quality in the context of future research.

The Effect of Profit Growth on Profit Quality

The test results show that the profit growth variable does not have a significant effect on profit quality in food and beverage subsector manufacturing companies for the 2019-2021 period. Profit growth in this context refers to the increase or decrease in profit in percentage form that occurs within an entity. In this test, it was found that there was no significant influence between profit growth and profit quality in food and beverage manufacturing companies. This is because it is unpredictable whether the decline or increase in profits in the company can be attributed to factors that can affect the quality of profits. In the context of profit growth, not only profit is a factor in assessing the quality of profits, but it is also necessary to consider the capital and debt of the company.

The findings in this study are in line with the results of other studies conducted by Veratami (2020) and Nugrahani & Retnani (2019), which also concluded that profit growth does not have a significant effect on profit quality. However, this result contradicts another study conducted by Sumertiasih & Yasa (2022) and Puspitawati et al. (2019), which found an influence between profit growth and profit quality. These differences in results indicate complexity and variation in the effect of profit growth on profit quality, which may be influenced by different contextual factors in each study.

Overall, the findings in the study highlight the importance of looking at other aspects besides profit growth to assess the quality of a company's profits. Factors such as capital, debt, and other contextual factors also need to be considered to get a more comprehensive picture of profit quality. Furthermore, further research can be conducted to explain differences in results and identify other factors that might influence the relationship between profit growth and profit quality in the context of the food and beverage industry.

The Effect of Liquidity on Profit Quality

Research findings show that liquidity does not have a significant influence on profit quality in food and beverage entities during the 2019-2021 period. These results indicate that a high level of liquidity does not always reflect quality earnings. Although high liquidity indicates an entity's ability to meet its short-term obligations, it does not guarantee that operational activities related to profit management are also performed properly. In some cases, high liquidity can indicate a lack of effectiveness in current asset management, which in turn can trigger profit management practices to manipulate profit information to create the impression of quality profits. Therefore, although food and beverage entities have high liquidity, it cannot be ensured that the profits generated are also qualified. Evaluation of profit quality needs to consider other factors, such as current assets and current debt, as well as the development of operating cash flow as a more comprehensive indicator of financial performance.

The findings in this study are in line with the results of other studies conducted by Ginting (2017), Erawati & Sari (2021), and Telaumbanua &; Purwaningsih (2022), which also concluded that liquidity does not have a significant relationship with profit quality. However, there are other studies conducted by

Teguh &; Khoirunnisa (2022) and Septiano et al. (2022) which found a relationship between liquidity and profit quality. These differences in results indicate complexity and variation in the effect of liquidity on profit quality, which can be influenced by different contextual factors in each study.

In order to further understand the relationship between liquidity and profit quality in food and beverage entities, further research can be conducted to identify other variables that may influence this relationship. In addition, research can be conducted by considering specific factors in the food and beverage industry that can affect the quality of profits. Thus, a deeper understanding of the quality of profits and the factors that influence them can assist stakeholders in making more accurate and strategic decisions.

The Effect of Profitability on Profit Quality

The results showed a negative influence between profitability variables, measured using return on assets (ROA), on the quality of profit in food and beverage entities during the 2019-2021 period. Although return on assets (ROA) generally reflects an entity's ability to generate profits from its assets, it should be noted that when the return on assets (ROA) value is high, it can actually indicate that the entity is under-allocating the profits it earns into assets that can increase future profits. In other words, food and beverage entities during this period were still unable to optimize the effective use of their assets, and this could result in a lack of interest from investors to invest their funds, ultimately affecting the quality of low profits.

This finding is in line with the results of research conducted by Fedia (2019), Erawati & Sari (2021), and Gusmiarni & Desnirita (2019), which also found that profitability affects profit quality. However, there is another study conducted by Wahyu Amalia (2022) and Aziza et al. (2022) which found that profitability does not have a significant effect on profit quality. This difference in results shows the complexity of the relationship between profitability and profit quality, which can be influenced by different contextual factors in each study.

To deepen understanding of the relationship between profitability and profit quality in food and beverage entities, further research can be conducted by considering other variables that can influence this relationship. In addition, research can involve specific factors in the food and beverage industry that can have an impact on the quality of profits. With a deeper understanding of the factors that affect profit quality, stakeholders can make better decisions in managing and optimizing an entity's profits and attract investors.

4. CONCLUSION

This study produced two important findings related to the relationship between independent variables and profit quality. First, the results showed that profit growth did not have a significant effect on profit quality. This indicates that even though the entity experienced high profit growth, it cannot be ascertained that the entity has good financial performance. Profit growth alone cannot be the main indicator in assessing the quality of profits, because other factors such as the management of company assets and debt also need to be considered. Thus, this study provides a deeper understanding that profit growth does not directly reflect the quality of profits in food and beverage entities. Furthermore, research findings also show that liquidity does not have a significant influence on profit quality. This is attractive because high liquidity should lead to better profit quality, as entities have the ability to meet short-term payment obligations easily. However, the study found that even high levels of short-term payment debt do not necessarily reflect improved profit quality. In this context, the study emphasizes that the assessment of profit quality cannot only be based on the level of liquidity alone, but also needs to consider other factors that can affect the financial performance of the entity. The findings of this study have important implications in helping companies and shareholders in understanding profit information contained in financial statements. With a better understanding of the relationship between profit growth, liquidity, and profitability and profit quality, related parties can make more informed decisions in managing company profits and making investments. This research can also be the basis for further research in involving other variables that can affect profit quality, so as to provide a more comprehensive and in-depth understanding of the factors that affect profit quality in the food and beverage industry.

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