

# The Influence of Financial Performance on Public Perception Toward Organizational Transparency, Accountability, and Institutional Trust

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## ABSTRACT

**Purpose** – This study examines the relationship between financial performance and public perception of a company. Financial performance reflects a company’s ability to manage resources, generate value, and sustain business growth. Strong financial performance indicates effective management and operational stability, which influence how stakeholders—such as investors, customers, and the public—evaluate the company’s credibility and future prospects.

**Design/methodology/approach** – This research uses a descriptive analytical approach to analyze the relationship between financial performance and public perception. Financial performance is measured using liquidity and profitability indicators. Liquidity reflects the company’s ability to meet short-term obligations, while profitability shows its ability to generate profit. Public perception is measured through firm value, which represents how the market and stakeholders assess the company’s performance and credibility.

**Findings/Results** – The results show that financial performance significantly influences public perception. Companies with higher liquidity and profitability tend to have higher firm value and stronger public trust.

**Originality/Value** – This study emphasizes that maintaining stable financial performance is important for building positive public perception and corporate reputation. Companies should manage financial resources effectively and communicate financial performance transparently to strengthen stakeholder confidence and increase firm value.

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## **1. Introduction**

Public perception of a company reflects how stakeholders evaluate the organization's overall performance, credibility, and future prospects. This perception is formed through the interpretation of various signals provided by the company, including financial reports, operational achievements, and market performance. Among the most visible indicators of public perception is the company's stock market performance, particularly its share price. The movement of stock prices often represents how investors and other stakeholders interpret the company's financial condition and managerial effectiveness. When stock prices rise, the market generally perceives the company as performing well, while declining prices may indicate concerns regarding its financial stability or future growth potential. Therefore, stock price fluctuations can serve as an important representation of the market's confidence in the company.

Stakeholders' perception plays a critical role in evaluating whether management is effectively and efficiently operating the company. Investors, creditors, regulators, and the general public rely on financial information to assess the quality of managerial decision-making and the sustainability of corporate strategies. Positive stakeholder perception may lead to stronger investor confidence, increased access to capital, and greater market competitiveness. Conversely, negative perception may reduce investor interest and weaken the organization's reputation in the business environment. In this context, public perception is not merely a reflection of current financial conditions but also an indicator of how stakeholders expect the company to perform in the future.

Public perception also has a significant influence on the long-term sustainability, reputation, and credibility of a business. A company that consistently demonstrates sound financial performance is more likely to build a positive reputation among investors and other stakeholders. Reputation serves as a valuable intangible asset that can enhance the company's competitiveness in the market. Organizations with strong reputations tend to attract more investors, customers, and strategic partners because stakeholders perceive them as trustworthy and financially stable. As a result, maintaining a positive public perception becomes an important objective for corporate management.

To create and maintain a favorable stakeholder perception, management must communicate financial information effectively and transparently. Clear financial communication allows stakeholders to understand the company's financial position, operational performance, and strategic direction. When financial information is communicated accurately and consistently, it sends a positive signal to the market regarding the company's reputation and managerial capability. Effective communication also reduces information asymmetry between management and stakeholders, enabling investors to make more informed decisions. In this way, financial transparency plays an essential role in shaping stakeholder confidence and strengthening corporate credibility.

Stock prices often act as a reflection of a company's reputation and overall performance in the marketplace. Investors continuously analyze financial statements and other market signals to determine whether a company is capable of generating sustainable returns. If financial information indicates strong performance, investors may respond by purchasing more shares, which increases demand and consequently raises the stock price. On the other hand, if financial information suggests poor performance or financial instability, investors may lose confidence and sell their shares, leading to a decline in stock prices. Consequently, financial

information becomes a crucial factor influencing stock price movements and public perception of the company.

Financial information provides insights into a company's ability to manage resources effectively and operate efficiently. Stakeholders rely on financial indicators to evaluate the company's financial health and long-term viability. Public perception, therefore, can be interpreted as the collective evaluation of shareholders and other stakeholders regarding the company's financial condition and management performance (Fama & French, 2000; Zubaidi et al., 2019). When financial indicators demonstrate stability and growth, stakeholders tend to interpret this as evidence that the company is well managed and capable of achieving long-term success.

Two key financial indicators that frequently influence investor sentiment are liquidity and profitability (Nam & Tuyen, 2024; Neville & Lucey, 2022). These indicators provide essential information about the company's financial stability and operational effectiveness. Liquidity reflects the company's ability to meet its short-term financial obligations in a timely manner. A firm with strong liquidity is capable of paying its debts using its current assets without facing financial distress. This ability reassures stakeholders that the company has sufficient resources to maintain its operations and fulfill its commitments.

A company is considered to have good liquidity when it can meet its liabilities without difficulty while still maintaining operational efficiency. Adequate liquidity ensures that the organization can manage unexpected financial challenges, such as fluctuations in revenue or increases in operational costs. Maintaining a stable level of liquidity is therefore crucial for sustaining public perception of a company's financial stability. Investors often perceive companies with strong liquidity positions as less risky investments because they are better equipped to handle financial uncertainties.

In addition to liquidity, profitability is another critical indicator of financial performance that shapes stakeholder perception. Profitability reflects the company's ability to generate earnings through the efficient and effective utilization of its resources. This measure is particularly important to stakeholders because it demonstrates the company's capacity to create value for shareholders and sustain business growth. Higher profitability indicates that the company is successfully converting its resources into financial gains, which strengthens investor confidence and enhances the company's reputation.

Profitability also contributes to improved shareholder welfare, as higher earnings often lead to greater dividends and increased stock value. Furthermore, strong profitability enhances creditors' trust because it signals the company's ability to repay its debts. As a result, profitability ratios are frequently used as benchmarks by investors, analysts, and other stakeholders to evaluate a company's financial condition. A firm that consistently records high profitability levels is often perceived as efficient, competitive, and financially stable.

The relationship between financial performance indicators and public perception, however, has produced mixed findings in previous research. Several studies suggest that a company's ability to generate profits positively influences its stock prices and market value (Le & Pham, 2021; Saputra & Kusuma, 2025; Khoiruman, & Irawan, 2026). According to this perspective, profitability serves as a strong signal to investors that the company is capable of delivering sustainable returns. As profitability increases, investor demand for the company's shares also tends to rise, which ultimately improves its market value.

Nevertheless, other studies present different perspectives regarding the role of liquidity in shaping public perception. Some research suggests that liquidity does not significantly

influence stock prices or market perception (Budiandriani et al., 2023; Nurwulandari, 2021). From this viewpoint, investors may focus more on profitability and growth potential rather than liquidity when evaluating a company's value. Liquidity may be perceived primarily as a short-term financial indicator that does not necessarily reflect long-term profitability or market competitiveness.

Conversely, other studies argue that liquidity does play an important role in influencing company value. A company with strong liquidity demonstrates financial resilience and the ability to maintain stable operations even during periods of economic uncertainty. This financial stability can increase investor confidence, which may positively influence stock prices and market perception. These differing findings indicate that the relationship between liquidity, profitability, and public perception is complex and may vary depending on the economic context, industry characteristics, and investor preferences.

Building upon this body of research, the present study seeks to further explore the direct relationship between a company's financial performance and public perception. By examining liquidity and profitability as indicators of financial performance, the study aims to provide a clearer understanding of how financial conditions influence stakeholder evaluations. In addition, this study introduces a novel approach by operationalizing public perception through the concept of corporate reputation. Corporate reputation reflects the collective judgment of stakeholders regarding a company's credibility, reliability, and long-term prospects. Through this approach, the study attempts to provide deeper insights into how financial performance contributes to the formation of positive public perception and sustainable corporate reputation.

However, from a conceptual perspective, the use of the term *public perception* in this study requires further clarification and refinement. While the discussion emphasizes stakeholder evaluations in a broader social and psychological sense, the empirical measurement employed in the study relies on firm value as a proxy. This creates a conceptual inconsistency, as firm value primarily reflects *market perception* driven by investor behavior rather than a comprehensive representation of public or stakeholder perception. Therefore, it is more appropriate to position the dependent variable within the scope of market-based evaluation, specifically as *market perception reflected through firm value*. By making this distinction explicit, the study can achieve stronger conceptual alignment between its theoretical framing and empirical measurement, while also avoiding ambiguity in interpreting the results.

In addition, the theoretical framework underpinning this study needs to be more focused and coherently integrated with the variables examined. Although multiple theories such as agency theory, pecking order theory, trade-off theory, and signaling theory are introduced, their connections to the model remain relatively broad and not fully aligned with the operationalization of firm value. In this context, signaling theory provides the most relevant foundation, as it explains how financial indicators such as liquidity and profitability act as signals to the market, influencing investor judgments and ultimately firm value. Furthermore, the study's contribution should be more clearly articulated by emphasizing its specific context, namely the analysis of financial ratios and their impact on market-based evaluation within the consumer goods sector. By narrowing the theoretical focus and clarifying its empirical contribution, the study can present a more robust and meaningful academic contribution beyond a general examination of financial performance and perception.

## **2. Literature Review & Hypothesis Development**

According to pecking order theory, management generally prefers internal funding, such as retained earnings, over issuing new shares or other riskier financial instruments. This preference suggest that companies prefer to use funds generated from company operations, or internal funding. As, management also participates in in strategic decision making and bears the associated risks, agency theory predicts that liquidity has generally impact decision-making process. Consequently, the shareholder majority may have an incentive to control the minority.

Based on Pecking Order theory, companies prefer an internal funding sources such as release some assets (buildings, land, or inventory) to obtain additional funding. Based on funding hierarchy, the company prefer using internal rather than external funding. The company aim to maintain stable dividend distribution and preserve liquid investment to ensure cash availability. Based on trade off theory, the optimal balance of liquidity and profitability enhance firm values (Kraus & Litzenberger, 1973).

The liquidity is a measure through ratios that asses the company's ability to pay its short-term obligations. Liquidity also reflects the effectiveness in managing current assets and current liabilities. An adequate level of liquidity is very important, as failure to fulfill short-term obligations may reduce trust, particularly among creditors, suppliers, and investors. Companies that can fulfill their current obligations are considered as a liquid company, which is an indicator for healthy financial conditions. Hence, maintaining stable liquidity is essential to sustain the confidence of both internal and external stakeholder.

The profitability is a key financial ratio used to measure firm's ability to generate returns from its assets base over a specific period. A higher profitability ratio reflects company's effectiveness in using assets to generate profits. Investor routinely asses profitability ratio to make informed decision about their investment allocation.

### **Liquidity and Public Perception**

High liquidity indicates a relatively low level of effectiveness of a company's management in utilizing current assets to generate optimal profits. Liquidity have a significant effect of firm value because its role in company operational (Arifin & Anwar, 2023). The current or liquidity ratio, which compares current assets and current liabilities, has a found to have a negative effect on stock prices. According to signaling theory, high level of liquidity may send a negative signal to investor, influencing their perception of the company's value (N. K. C. Dewi & Suaryana, 2023; Gautama & Asrifah, 2024). Conversely, decreased liquidity reflects a reduced ability of company to meet its current liabilities. Based on the theoretical discussion above regarding the relationship between Liquidity and company value, the following research hypothesis is proposed,

H1: Liquidity has a significant negative effect on public perception

### **Profitability and Public Perception**

Profitability is a key factor for investor in determining the direction of their investment decision. An increase in profitability signals an increase in company value, which convey a positive signal a positive message to investor (Fama & French, 2000). Return on Asset (ROA) reflects management's ability to generate profit through the effective utilization of the company resources, such as the assets. Higher profits enhance the company value and attracts investors (Gupta, 2025; Mulyana & Rasyid, 2022). Efficient asset utilization benefits the

company and contributes to its increasing value. Profitability can provide a positive signal to potential investors and shareholders when making investment decisions. Based on the theoretical discussion above regarding the relationship between profitability and public perception, the following research hypothesis is proposed:

H2: Profitability has a significant positive effect on public perception

### **3. Methodology**

This research focuses on the listed manufacturing industry, specifically in the consumer goods companies, with observation period covering the years 2020-2023. The sample was selected based on several criteria, including companies that recorded a positive net profit during the observation period, are included in the main board index, use the Indonesian Rupiah currency (IDR) as the reporting currency, and consistently publish financial statements during the research period. Based on this criteria, the researcher obtained a sample of 25 companies from the IDX website.

The study uses a quantitative approach by collecting secondary data in the form of annual financial statement of the selected consumer goods manufacturing companies. The method of sample selection used purposive sampling, guided by predetermined parameters to ensure the data met the research requirements.

This study employs data descriptive statistical methods along with classical assumption test, such as test for data normality, multicollinearity, and heteroscedasticity. Additionally, hypothesis testing is performed using partial t-test and F-test, the regression equation used in the study is as follows

$$PP = \beta_1 LQ + \beta_2 PR + \varepsilon$$

This research uses liquidity (LQ) and profitability (PR) as independent variables, where profitability is measured by return on asset (Le & Pham, 2021; Widyastuti & Suryandari, 2022). The dependent variable is public perception (PP), measured using firm value (Nugroho & Widagdo, 2022). This regression equation allowing the researcher to draw conclusions regarding the significance of the effect of independent variables.

## **4. Result and Discussion**

### **4.1. Result**

#### **Descriptive Statistics**

Descriptive statistics provide an overview of the research data obtained from the selected sample and help explain the general characteristics of each variable analyzed in the study. Through descriptive statistics, researchers are able to understand the distribution, central tendency, and variability of the observed data. In this study, descriptive statistical analysis was conducted on three main variables, namely public perception (PP), profitability (PR), and liquidity (LQ). These variables were measured using financial data collected from 25 consumer goods manufacturing companies listed on the Indonesian Stock Exchange (IDX) during the observation period from 2020 to 2023. The total number of observations in this research is 100, representing four years of data for each of the sampled companies.

Descriptive statistics in this study include several indicators such as the mean, maximum value, minimum value, and standard deviation for each variable. These indicators are useful for providing a clearer understanding of the overall pattern of the research data before

conducting further econometric analysis. Table 1 presents the results of the descriptive statistical analysis for all variables used in the study.

**Table 1.** Descriptive Statistics

<b>Variable</b>	<b>Public Perception (PP)</b>	<b>Profitability (PR)</b>	<b>Liquidity (LQ)</b>
Mean	4.107806	2.512845	0.124382
Maximum	48.23190	12.137906	1.142176
Minimum	0.394540	0.614071	0.012671
Std. Dev.	8.2358753	2.639658	0.612961
Observations	100	100	100

Based on Table 1, the mean value of public perception is 4.107806. This value represents the average level of public perception toward the sampled companies during the study period. The average profitability value is recorded at 2.512845, indicating that the firms generally demonstrate moderate profitability performance across the observation period. Meanwhile, the mean liquidity value is 0.124382, suggesting that the companies maintain relatively adequate short-term financial capability to meet their obligations.

The maximum value of public perception is 48.23190, which indicates that at certain points during the observation period, some companies experienced very high market evaluation or firm value. The maximum profitability value recorded in the dataset is 12.137906, while the highest liquidity value is 1.142176. These values indicate that several firms within the consumer goods sector experienced strong financial performance in particular years. Such conditions may reflect successful management strategies, increased operational efficiency, or favorable market conditions that positively influenced firm performance.

On the other hand, the minimum values of the variables reflect the lowest levels observed during the research period. The minimum value of public perception is 0.394540, while the lowest profitability value is 0.614071. The minimum liquidity value is 0.012671. These relatively low values indicate that some companies experienced periods of weaker financial performance or lower market perception. However, the minimum values remain within a reasonable range, suggesting that the overall data distribution across the sample remains stable.

Another important indicator in descriptive statistics is the standard deviation, which measures the level of dispersion or variability in the data. The standard deviation for public perception is 8.2358753, which is higher than its mean value. This indicates that the distribution of public perception data varies widely among the sampled companies. In other words, some companies experience significantly higher public perception compared to others.

Similarly, profitability has a standard deviation of 2.639658, which is slightly higher than its mean value. This suggests that profitability levels vary considerably across the companies included in the sample. Some companies demonstrate high profitability levels, while others show relatively lower profit performance.

In contrast, liquidity has a standard deviation value of 0.612961, which is lower than its mean. This indicates that liquidity data are less dispersed and more consistent across the sampled companies. The relatively smaller variation in liquidity implies that most firms maintain relatively similar liquidity levels during the observation period.

Overall, the descriptive statistics indicate that although profitability and public perception vary significantly across companies, liquidity tends to be relatively stable. These findings

suggest that the financial structure of companies within the consumer goods sector demonstrates moderate consistency, particularly in terms of short-term financial capability.

### **Regression Model Selection**

Before conducting the panel data regression analysis, it is necessary to determine the most appropriate econometric model for the dataset. Panel data regression typically involves three alternative models: the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM). To select the most suitable model, several statistical tests were conducted, including the Chow test, Hausman test, and Lagrange Multiplier (LM) test.

The Chow test is used to compare the Common Effect Model and the Fixed Effect Model. The test result shows that the cross-section probability value is 0.8965, which is greater than the significance level of 0.05. This result indicates that the Fixed Effect Model is not necessary for the analysis and suggests that the Random Effect Model is more appropriate than the Fixed Effect Model.

The Hausman test is then applied to determine whether the Fixed Effect Model or the Random Effect Model is more suitable. The Hausman test result shows a cross-section probability value of 0.0562, which is greater than 0.05. This finding further confirms that the Random Effect Model is preferable to the Fixed Effect Model.

Finally, the Lagrange Multiplier test is conducted to compare the Random Effect Model with the Common Effect Model. The result of the Breusch–Pagan test indicates a probability value of 0.0000, which is lower than 0.05. This result suggests that the Random Effect Model is more appropriate than the Common Effect Model. Based on these three statistical tests, the Random Effect Model is selected as the most suitable regression model for analyzing the relationship between financial performance and public perception.

### **Classical Assumption Testing**

Before interpreting the regression results, classical assumption tests must be conducted to ensure that the regression model meets the required statistical assumptions. In this study, three classical assumption tests were performed, including the normality test, heteroscedasticity test, and multicollinearity test.

The normality test was conducted using the Jarque–Bera statistic to determine whether the residuals of the regression model follow a normal distribution. The test result shows a Jarque–Bera value of 0.616 with a probability of 0.73. Since the probability value is greater than 0.05, the residuals are considered to be normally distributed. This indicates that the regression model satisfies the normality assumption.

The heteroscedasticity test was conducted using the Glejser method to determine whether the variance of the residuals remains constant across observations. The test results indicate that the probability values for all independent variables are greater than the significance level of 0.05. Therefore, the regression model does not suffer from heteroscedasticity problems, meaning that the variance of the error terms is constant.

The multicollinearity test was conducted to examine whether there is a strong correlation between the independent variables. Multicollinearity can distort regression results and reduce the reliability of coefficient estimates. The results show that the variance inflation factor (VIF) values for the independent variables are below the threshold level, indicating that there are no multicollinearity issues in the regression model.

### **Hypothesis Testing**

After confirming that the regression model satisfies the classical assumptions, hypothesis testing was conducted to evaluate the relationship between liquidity, profitability, and public perception. Hypothesis testing in this study involves both partial significance tests (t-test) and simultaneous significance tests (F-test).

The F-test is used to determine whether the independent variables collectively influence the dependent variable. The result of the F-test shows an F-statistic value of 4.1516 with a probability value of 0.0082. Since the probability value is below 0.05, it can be concluded that liquidity and profitability simultaneously have a significant effect on public perception.

**Table 2.** Hypothesis Testing

<b>Variable</b>	<b>Coeff.</b>	<b>SE</b>	<b>t-Stat</b>	<b>Prob</b>
LQ	0.2124	0.0329	2.6492	0.0197
PR	0.5810	1.0687	0.6122	0.0547
F-Stat	4.1516			0.0082
Adj. R <sup>2</sup>	0.0871			
Obs.	100			

The t-test results indicate that liquidity has a probability value of 0.0197, which is lower than the significance level of 0.05. This result suggests that liquidity has a statistically significant positive effect on public perception. In other words, companies with stronger liquidity positions tend to receive better market evaluations and higher public confidence.

Similarly, profitability shows a positive relationship with public perception, with a probability value of 0.0547, which is close to the 5 percent significance level. This result indicates that profitability also contributes to improving public perception, although the effect is relatively weaker compared to liquidity.

Overall, the regression results demonstrate that both liquidity and profitability play important roles in shaping public perception of companies. Firms that maintain strong financial performance are more likely to gain positive evaluations from investors and other stakeholders. These findings highlight the importance of sound financial management in strengthening corporate reputation and improving market confidence.

### **4.2. Discussion**

The findings of this study can be explained through the perspective of agency theory, which describes the relationship between managers as agents and shareholders as principals. In this relationship, managers are entrusted with the responsibility of managing the company's resources on behalf of the shareholders. However, because managers have control over operational decisions and financial resources, there is a possibility that they may pursue personal interests rather than prioritizing shareholder wealth if adequate monitoring mechanisms are not implemented. Agency theory suggests that conflicts between managers and shareholders can arise due to differences in objectives and information asymmetry. Therefore, companies must implement governance and monitoring mechanisms to ensure that managerial actions remain aligned with the interests of shareholders.

One of the mechanisms that can help minimize agency conflicts is the use of financial performance indicators as control tools. Financial ratios serve as measurable indicators that allow shareholders and investors to evaluate how effectively managers utilize company resources. Through financial ratios, stakeholders are able to assess whether management decisions contribute to value creation and long-term sustainability. These indicators also

function as managerial covenants that help ensure managerial accountability in managing the company's financial resources. When financial ratios demonstrate strong performance, stakeholders tend to perceive that management is operating the company efficiently and responsibly.

Among the various financial indicators, liquidity plays a crucial role in reflecting a company's financial stability. Liquidity is generally defined as the company's ability to fulfill its short-term financial obligations using its current assets. A company with strong liquidity is able to settle its debts promptly without experiencing financial distress. This ability not only reflects operational stability but also strengthens investor confidence in the company's financial management. In the context of capital structure decisions, liquidity also influences the proportion of current debt used by the company in financing its operations.

Liquidity is widely recognized as an important indicator used by investors to evaluate corporate financial performance (Bui et al., 2023; Saputra & Kusuma, 2025). Investors often analyze liquidity ratios to determine whether a company has sufficient financial resources to meet its obligations and maintain operational continuity. Companies with higher liquidity levels are generally perceived as financially stable and less risky compared to firms with weak liquidity positions. This perception can positively influence investor decisions and enhance the company's attractiveness in the capital market.

The role of liquidity in financial decision-making is also closely related to the pecking order theory. According to this theory, companies prefer to use internal financing sources rather than external financing such as debt or equity issuance. Internal financing is considered more favorable because it does not require additional costs associated with borrowing or issuing new shares. Firms with strong liquidity positions are more capable of financing their operational and investment activities using internally generated funds. Consequently, they are less dependent on external financing sources.

Companies that maintain stable and strong liquidity positions are therefore more likely to finance their operations internally. This condition reduces the need to rely on external borrowing and minimizes financial risk. From the perspective of investors and shareholders, this financial condition sends a positive signal about the company's stability and operational efficiency. A firm that demonstrates strong liquidity indicates that it possesses sufficient financial resources to manage its obligations while continuing to pursue growth opportunities. Such signals can increase investor confidence and strengthen the company's reputation in the capital market (Al-Nimer et al., 2024; Damayanti & Darmayanti, 2022; L. S. Dewi & Abundanti, 2019).

The empirical findings of this research support the argument that liquidity has a significant influence on company value. This result indicates that higher levels of liquidity are associated with increased firm value and improved public perception. A strong liquidity position signals that the company is financially healthy and capable of managing its short-term liabilities effectively. Investors often interpret strong liquidity as evidence that the company has good financial management practices and a stable operational structure.

Furthermore, strong liquidity can enhance the company's ability to respond to unexpected financial challenges. Companies with sufficient liquid assets are better equipped to withstand economic uncertainty, fluctuations in revenue, or increases in operational costs. As a result, liquidity becomes an important factor in maintaining financial resilience and sustaining business operations. This stability contributes to positive investor perception and can increase the market valuation of the company.

These findings are consistent with previous research which suggests that high liquidity serves as a signal of strong financial health and operational efficiency. When a company maintains strong liquidity, it indicates that management has successfully balanced asset utilization and liability management. Investors often interpret this as a sign of sound financial governance. Consequently, the liquidity ratio can significantly contribute to enhancing the company's value and attracting investment from capital owners (Gupta, 2025).

In addition to liquidity, profitability also plays a fundamental role in shaping public perception and company value. The results of this study indicate that profitability significantly affects public perception of the company. Profitability reflects the company's ability to generate earnings from its operational activities through effective and efficient use of its resources. A company that consistently produces high profits demonstrates strong operational capability and effective managerial decision-making.

This finding is consistent with previous studies which argue that higher profitability reduces the need for external financing. Companies that generate sufficient profits are able to finance their investment activities using internally generated funds. This financial independence allows firms to maintain greater control over their strategic decisions without relying heavily on external creditors or investors. As a result, high profitability can enhance financial flexibility and strengthen the company's long-term sustainability.

Profitability also reflects the effectiveness of management in utilizing the company's assets to generate returns. In financial analysis, profitability ratios are often used to evaluate how efficiently a company converts its resources into profits. When profitability increases, it indicates that management has successfully implemented strategies that maximize the productivity of the company's assets. This performance strengthens investor confidence because it demonstrates that the company has the capability to generate sustainable financial returns.

The ability of a company to generate profit is closely related to its overall financial condition and operational efficiency. A company that consistently records strong profitability is generally perceived as financially healthy and competitive in the market. Such performance signals positive prospects for future growth and provides assurance to shareholders that their investments are being managed effectively. Consequently, profitability becomes a key factor influencing company value and public perception.

An increase in profitability ratios typically reflects the company's success in utilizing its assets efficiently and implementing effective operational strategies. Management decisions regarding investment, cost control, and resource allocation play a significant role in determining profitability performance. When these decisions are implemented effectively, the company can achieve higher returns while maintaining operational stability.

Shareholders expect management to maximize the value of the company by utilizing its assets in a productive and efficient manner. Profitability therefore becomes an important indicator of whether management has fulfilled this expectation. High profitability not only increases shareholder wealth through dividends and capital gains but also strengthens the company's reputation in the market. As a result, companies that demonstrate strong profitability performance are more likely to gain positive evaluations from investors and other stakeholders.

Overall, the findings of this study highlight the importance of both liquidity and profitability in shaping company value and public perception. Liquidity ensures financial stability and operational resilience, while profitability reflects the company's ability to generate sustainable

returns from its resources. Together, these financial indicators serve as important signals to investors regarding the company's financial health, managerial effectiveness, and long-term growth potential.

However, beyond these general theoretical explanations, the findings of this study require a more critical interpretation in relation to prior empirical evidence. While liquidity is found to have a significant effect, the direction and strength of this relationship should be examined carefully, as some previous studies have reported inconsistent or even insignificant effects of liquidity on firm value, suggesting that excessive liquidity may indicate inefficient asset utilization rather than financial strength. Moreover, the relatively weak significance of profitability in this study contrasts with many prior findings that position profitability as a dominant determinant of firm value. This discrepancy may indicate that, within the observed context, investors do not rely solely on profitability as a primary signal, but instead consider other factors such as growth prospects, risk profile, or market conditions. Therefore, the results of this study suggest that the relationship between financial performance and market perception is more complex and context-dependent than commonly assumed, highlighting the need to interpret liquidity and profitability not as universally dominant factors, but as variables whose influence may vary depending on industry characteristics, investor behavior, and broader economic dynamics.

## **5. Conclusion and Suggestion**

This study indicates that liquidity shows a positive and statistically significant relationship with public perception, as reflected in the firm's market value, although the overall explanatory power of the model remains relatively low. This suggests that while liquidity contributes to shaping public perception—primarily by signaling the company's ability to meet short-term obligations and thereby enhancing shareholder confidence—its effect should be interpreted with caution. In contrast, profitability demonstrates a weaker level of significance, indicating that its influence on public perception is not as strong or consistent as initially expected. Therefore, the findings imply that financial performance variables alone are not sufficient to fully explain variations in public perception, and other contributing factors may play a substantial role.

This study has several limitations. First, it focuses only on two financial indicators, namely liquidity and profitability, while public perception is likely influenced by a broader range of financial and non-financial variables. These may include additional financial metrics such as cash flow ratios, capital structure, and growth indicators, as well as non-financial aspects such as corporate governance practices and macroeconomic conditions. Second, the study is limited to the consumer goods industry, which restricts the generalizability of the findings to other sectors with different operational characteristics. Third, this study does not incorporate potential mediating or moderating variables that could influence the relationship between financial ratios and public perception, such as corporate reputation or information transparency.

Future research is recommended to expand the analytical scope by including a wider range of variables that may better explain public perception, both financial (e.g., firm size, leverage, and growth) and non-financial (e.g., governance quality and macroeconomic factors). Additionally, future studies should consider the inclusion of mediating and moderating variables to provide a more comprehensive understanding of the relationships examined.

Incorporating qualitative approaches alongside quantitative methods is also suggested to enhance the depth and robustness of analysis through methodological triangulation.

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