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Profitability, Solvency, and Liquidity: A Comparison between Multinational and Domestic Companies in the Industrial Sector, IDX

Irwanto Prasetyo [1]*, Afara Ross Prawidya [2]

[1,2] Mercu Buana University, Jakarta

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*Correspondence: Irwanto Prasetyo
Email: irwantoprasetyo06@gmail.com

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Abstract: *Multinational and domestic companies possess distinct operational characteristics and financial strategies, influenced by their access to global markets and ability to manage market risks. This study aims to analyze the differences in profitability (ROE), identify solvency differences (DER), and assess liquidity differences (CR) between multinational and domestic companies. Utilizing a quantitative descriptive approach and a comparative research type, the study samples were determined through purposive sampling methods. Secondary data were derived from the annual reports of multinational and domestic companies in the industrial sector listed on the Indonesia Stock Exchange (IDX) over a five-year period (2019–2023), totaling 40 research samples. Data analysis was conducted using the Independent Sample T-Test comparative test. The findings reveal significant differences in solvency and liquidity variables between multinational and domestic companies. The higher solvency and liquidity levels of multinational companies allow them to better manage risks and shocks in global markets. Conversely, domestic companies show lower solvency and liquidity levels due to limited access to global markets. Meanwhile, the profitability (ROE) variable does not show a significant difference, even though the profitability level of multinational companies tends to be higher than that of domestic companies.*

Keywords: Profitability, Solvency, Liquidity, Multinational Company, Domestic Company

Introduction

The With the increasing strength of globalization in the current era, multinational and domestic companies in Indonesia operate in a fast-paced, competitive environment. Each type of company faces challenges in managing its resources, maintaining liquidity to ensure smooth business operations, and improving financial performance. Multinational companies generally have easier access to global resources, advanced technology, and international capital markets. In contrast, domestic companies tend to rely on local resources and frequently face more complex challenges. These differences may influence the profitability, solvency, and liquidity indicators of the two types of companies.

The industrial sector in Indonesia is generally dominated by two types of companies: domestic and multinational. Although both types of companies face similar opportunities and challenges, there are significant differences in their operations and how they respond to market dynamics (Sinthayani & Sedana, 2015). Multinational companies have advantages

in terms of access to international markets, larger capital bases, and more advanced technology and innovation. They are also generally more resilient in the face of global market volatility. However, multinational companies often need to adapt to regulations and policies in different countries, which can pose unique challenges in maintaining operational alignment. On the other hand, domestic companies primarily focus on the local market and have an in-depth understanding of domestic culture, regulations, and consumer needs. They tend to be more adaptive to changes in government policies and fluctuations in the domestic economy. However, domestic companies often face limitations in accessing global resources, advanced technology, and international distribution networks.

Key indicators such as profitability, solvency, and liquidity are essential measures of a company's financial health. According to Sujarweni (2017), profitability is a metric used to assess a company's ability to generate profits from sales, assets, revenue, or its own equity. According to Ainunnisa, Oktaviani, and Risman (2024), profit often serves as a primary indicator of a company's performance; a high profit indicates efficient operations, while declining profits may signal issues affecting the company's ability to generate revenue. In this study, profitability is measured by Return on Equity (ROE), which indicates the extent to which a company can generate profits from shareholder equity. The higher the ROE, the better the company's ability to maximize profits from each dollar of capital used, thereby creating added value for investors.

Solvency is measured using the Debt to Equity Ratio (DER), which provides insight into the extent to which a company relies on debt in its solvency. According to Septyaningsih and Risman (2021), solvency is closely related to a company's funding strategy, making it essential for companies to make appropriate financing decisions. Capital structure is a crucial aspect that directly impacts a company's financial stability and health. A high DER indicates a high reliance on external funding (debt) and can pose a greater risk if the company struggles to meet its long-term obligations. Conversely, a lower DER reflects more stable financial performance. A company with a high solvency ratio may face higher financial risk, yet this also presents an opportunity for higher profits (Hery, 2018).

Liquidity is measured by the Current Ratio (CR), which assesses a company's ability to meet short-term obligations or debts due in the near term (Kasmir, 2018). This means that if a company's debts are due, it can cover them, especially debts that are currently due. This ratio indicates the company's short-term stability in maintaining adequate cash flow without having to rely on asset sales or additional debt. Liquidity helps the company assess its ability to manage debt and cash flow. By measuring liquidity, companies can identify potential cash flow issues and risks that may arise in the future.

An overview of the company's financial health can be seen through indicators of profitability, solvency, and liquidity. This study will compare these variables between two groups of companies—multinational and domestic—that are listed on the Indonesia Stock Exchange (IDX), focusing on industrial sector companies with complete annual financial statements. The selected multinational companies are PT Mayora Indah Tbk (MYOR) and PT Hanjaya Mandala Sampoerna Tbk (HMSP), which operate globally. As a comparison, the selected domestic companies are PT Sumber Alfaria Trijaya Tbk (AMRT) and PT Midi

Utama Indonesia Tbk (MIDI), which operate locally and within a more limited scope. This study aims to understand the differences in profitability, solvency, and liquidity between multinational and domestic companies, reflecting how they adapt to challenges and opportunities in both global and local operational contexts.

A study conducted by Budiandru et al. (2023) on financial performance analysis in multinational companies found significant differences in financial ratios for multinational companies in the global sector. This is supported by research by Lontoh et al. (2017), who conducted a comparative analysis of financial performance between PT Hanjaya Mandala Sampoerna Tbk and PT Gudang Garam Tbk for the period 2011–2014. They found significant differences in the solvency, profitability, and activity indicators between the two companies. Another study by Zulkifli and Wujayanti (2014) also found significant differences in ROI and ROE between foreign-owned manufacturing companies (PMA) and domestic-owned manufacturing companies (PMDN) listed on the IDX. In contrast, a previous study by Tiasita and Wiagustini found no significant difference in performance between domestic and multinational companies. Runtulao (2013) reinforced this with a comparative analysis of the financial performance of domestic and foreign manufacturing companies listed in Indonesia, with results indicating no significant difference across all variables between domestic and foreign manufacturing companies. Additionally, Basyith and Fadillah (2019) conducted a similar study on the financial performance of foreign-owned (PMA) and domestic-owned (PMDN) companies in the mining sector on the IDX, finding no significant difference across all financial performance factors for both groups. Handayani (2017) in her research also stated that the capital structure of both multinational and domestic companies showed no significant difference, as both face similar risks being situated in the same country.

Previous studies on the comparative analysis of profitability, solvency, and liquidity variables in multinational and domestic companies have shown mixed results, prompting the author to conduct further research on this topic among multinational and domestic companies in the IDX's industrial sector for the period 2019–2023. This study aims to analyze the differences in profitability (ROE) between multinational and domestic companies, which reflects their ability to generate profits from the capital they possess. Furthermore, it aims to identify differences in solvency (DER) between the two types of companies to understand their funding strategies and levels of financial risk. Additionally, the study seeks to examine differences in liquidity (CR) between multinational and domestic companies to evaluate their ability to maintain short-term financial stability.

Literature Review

Signaling Theory

The signaling theory, proposed by Spence (1973), states that companies with strong financial performance will send positive signals to the market through their financial statements and other disclosed information. This helps companies attract more investors. Signaling theory is used to understand how management actions in conveying information to investors can influence investors' perceptions of the company’s condition and ultimately affect their decisions (Suganda, 2018). In financial performance comparisons, multinational

companies tend to send stronger signals to the global market, as they operate in multiple countries, have more diverse revenue sources, and can manage global risks. Meanwhile, domestic companies may send positive signals to the local market, but their financial performance is generally more influenced by domestic economic conditions and limited in terms of international appeal.

Pecking Order Theory

According to Myers and Majluf (1984), pecking order theory states that companies tend to choose funding sources based on ease of access. They prefer to use internal funds first, then take on debt if necessary, and will only use equity as a last resort. Companies prioritize internal funding (retained earnings) over external funding. In favorable situations, companies prefer to use retained earnings because it does not incur additional costs, and only when additional funds are required, they tend to use debt before issuing equity (Hayat et al., 2018). Companies use debt only when internal funds are insufficient, and issuing new shares or equity is considered a last option. Multinational companies have more flexibility in accessing global external financing but still adhere to the funding hierarchy as per the theory. Due to limitations in accessing international financing, domestic companies rely more on domestic debt and are more selective in issuing equity.

Liquidity Preference Theory

According to Keynes (1936), liquidity preference theory states that investors and companies prefer to hold easily liquidated assets, especially in uncertain conditions. With liquid assets, they can manage risk better and quickly seize emerging investment opportunities. They tend to prefer liquidity (assets easily converted to cash), due to future economic uncertainty. Therefore, they choose to hold more liquid assets to maintain flexibility in responding to changes in market and financial conditions. People prefer to keep assets in liquid form to quickly convert them into cash if needed. In the context of comparing domestic companies, multinational companies are more likely to have higher liquidity ratios because they operate in a more complex global environment and face more diverse risks. Conversely, domestic companies tend to have lower liquidity ratios as they operate in a more stable market environment.

Profitability

According to Sagita (2024), profitability is a decision made by company management to serve as a benchmark in assessing company performance, including through profit. Profitability is a factor that provides management with the freedom and flexibility to demonstrate their social responsibility to shareholders (Aristandanda & Risman, 2022). Good profitability can reflect that the company's management is effective in running the company's operations and generating a high level of profitability, which can attract investors. Return on Equity (ROE) shows the extent to which equity contributes to generating net profit. The higher the return on equity, the higher the net profit generated.

$$Return\ on\ Equity\ (ROE) = \frac{Net\ Income}{Total\ Equity} \text{ x } 100\%$$

Solvency

Solvency is defined as the ratio of long-term debt to equity (Wati et al., 2018). Solvency helps determine the ratio of funds provided by creditors to funds from the company owners and shows the portion of each dollar of capital that serves as collateral for debt. A debtor with a low debt-to-equity ratio indicates that the amount of owner capital available as collateral is large, and vice versa. Gitman and Zutter (2015), in their book Principles of Managerial Finance, also stated that solvency is the ability of a company to meet its long-term obligations. They emphasized that good solvency is important for maintaining good relationships with creditors.

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

Liquidity

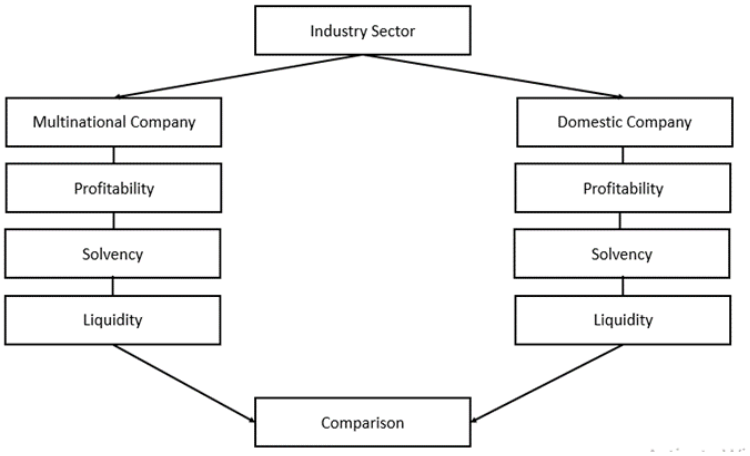
According to Hery (2018), liquidity is used to measure the extent of a company's ability to pay its short-term liabilities as they become due. If a company has the ability to meet its short-term obligations when due, it can be considered liquid, and vice versa. To meet short-term obligations that are soon to mature, the company must have a good cash availability level. Ross, Westerfield, and Jaffe (2016) also describe liquidity as the company's ability to meet its short-term liabilities. They emphasized the importance of liquidity ratios such as the Current Ratio and Quick Ratio in assessing the adequacy of current assets against current liabilities.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Research Method

This study employs a quantitative approach aimed at analyzing the comparison of profitability, solvency, and liquidity in multinational and domestic companies. The type of research used is comparative research, which involves comparing the presence of one or more variables across two or more different samples (Sugiyono, 2019). The Purposive Sampling Method is a sampling technique selected based on research knowledge and specific considerations. The type of data used in this study comes from secondary data obtained from the annual financial reports of multinational and domestic companies in the industrial sector listed on the Indonesia Stock Exchange over a 5-year period from 2019 to 2023, with a total of 40 research samples collected. The population consists of 4 companies, comprising 2 multinational companies and 2 domestic companies. This data was processed using SPSS to perform a comparative test, specifically the Independent Sample T-Test, to analyze significant differences between the two groups of companies.

Figure 1 Conceptual Framework



Source: Author, 2024

Hypothesis Development

Financial Performance in Multinational and Domestic Companies

According to Spence's (1973) signaling theory, high profitability achieved by a company allows for a stronger positive signal to investors by disclosing information through financial statements and other communications. In this context, multinational companies have an advantage over domestic companies, with greater market access, more advanced technology implementation, better and more abundant resources, and higher risk diversification. As a result, multinational companies are more likely to achieve increased profitability compared to domestic companies, which have smaller market scope and limited resources. This can provide a stronger signal to investors, ultimately increasing investor interest in purchasing shares. Based on previous studies (Budiandru et al., 2023; Nirmala, 2009), it was found that the financial performance of multinational companies is statistically higher than that of domestic companies.

H1: There is a significant difference in profitability between multinational and domestic companies, with multinational companies having better profitability levels than domestic companies.

Solvency in Multinational and Domestic Companies

According to Myers and Majluf (1984) in the pecking order theory, companies prioritize the use of internal financing over external financing, following the principle of least effort and resistance. With a larger scale and scope than domestic companies, multinational companies also have international market access and capital markets, allowing them to maximize debt and equity efficiency by utilizing subsidiaries in various countries. Therefore, multinational companies are more likely to have stable internal funding and potentially better solvency than domestic companies. As found by Handayani (2017),

Doukas & Pantzalis (2003), and Burgman (1996), multinational companies tend to have better and stronger solvency than domestic companies.

H2: There is a significant difference in solvency between multinational and domestic companies, with multinational companies having better solvency than domestic companies.

Liquidity in Multinational and Domestic Companies

According to Keynes (1936) in the Liquidity Preference Theory, companies prefer to hold liquid assets to address future uncertainties. Multinational companies engaged in international trade face risks related to currency fluctuations and political instability, leading them to focus more on managing their liquidity to maintain operational stability across countries. On the other hand, domestic companies, which primarily focus on the domestic market, are less inclined to maintain high liquidity levels. Therefore, it can be said that multinational companies have higher liquidity levels compared to domestic companies. This is consistent with the findings of Reeb & Kwok (1998) and Kim & Lyn (1990), which indicate that multinational companies tend to hold more liquid assets compared to domestic companies as a strategy to face market uncertainties.

H3: There is a significant difference in liquidity between multinational and domestic companies, with multinational companies having better liquidity levels than domestic companies.

Result and Discussion

Normality Test

Before conducting parametric tests, the primary requirement is a normality test, which serves to determine whether the data is normally distributed. According to Ghasemi and Zahediasl (2012), "The Shapiro-Wilk test is recommended for small sample sizes (< 50 samples), while the Kolmogorov-Smirnov test is suitable for larger sample sizes. Both tests assess the hypothesis that the data are normally distributed." Decision-making based on the results is as follows: "The Shapiro-Wilk test is a more powerful test for normality, particularly for small samples. If the p-value is greater than 0.05, it indicates that the data are not significantly different from a normal distribution, meaning normality can be assumed" (Ghasemi & Zahediasl, 2012). Based on the statement above, it can be concluded that if the data consists of fewer than 50 samples, the Shapiro-Wilk test is preferable due to its sensitivity with smaller sample sizes. On the other hand, if the data sample size exceeds 50, the Kolmogorov-Smirnov test is a more appropriate choice, as it is more sensitive for larger samples. For decision-making on whether the data is normally distributed, it can be concluded that if the significance level (p-value) is greater than 0.05, the data is considered to be normally distributed; whereas, if the p-value is less than 0.05, the data is assumed not to be normally distributed.

Table 1 Normality Test on Profitability Data

Tests of Normality

		Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Variable	Statistic	df	Sig.	Statistic	df	Sig.
ROE	ROE MNC	.091	40	.200*	.979	40	.646
	ROE DC	.076	40	.200*	.957	40	.137

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Table 2 Normality Test on Solvency Data

Tests of Normality

		Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Variable	Statistic	df	Sig.	Statistic	df	Sig.
DER	DER MNC	.090	40	.200*	.974	40	.462
	DER DC	.068	40	.200*	.969	40	.340

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Table 3 Normality Test on Liquidity Data

Tests of Normality

		Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Variable	Statistic	df	Sig.	Statistic	df	Sig.
CR	CR MNC	.116	40	.192	.951	40	.084
	CR DC	.104	40	.200*	.961	40	.188

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Source: Authors, SPSS, 2024

From the tables above showing the normality test results, normality testing was conducted on the ROE, DER, and CR variables. The financial performance variable (ROE) sample can be considered normally distributed, as the Shapiro-Wilk column shows a significance (p-value) of 0.646 for multinational companies, and 0.137 for domestic companies. These results indicate that the data is normally distributed, as both significance values are greater than 0.05. It can also be concluded from the solvency (DER) normality test table that the data is normally distributed, as the test results are greater than 0.05: multinational companies have a significance value of 0.462 and domestic companies have a significance value of 0.340. The liquidity data shows the same indication, as it is also normally distributed; this can be seen from the significance values of 0.084 for multinational companies and 0.188 for domestic companies, both of which are greater than 0.05.

Levene's Test (Homogeneity Test)

The homogeneity test is used to determine whether there is an equality of variances between two equivalent variables, using Levene's test as the testing tool. According to Field

(2013), "Levene's test is used to verify the assumption of equal variances between groups in parametric tests, particularly in the Independent Samples t-test. If the p-value is less than 0.05, the assumption of homogeneity of variance is violated." Based on this statement, if the significance value is greater than 0.05, the data can be considered homogeneous; however, if the significance value is less than 0.05, the data is considered non-homogeneous. The homogeneity test also serves as a guide for interpreting the results of the independent samples t-test: if the data indicates homogeneity, the "Equal Variances Assumed" row in the independent samples t-test table is used; if the data indicates non-homogeneity, the "Equal Variances Not Assumed" row is used.

Table 4 Homogeneity Test on Profitability Data

Test of Homogeneity of Variances

		Levene Statistic	df1	df2	Sig.
ROE	Based on Mean	5.507	1	78	.021
	Based on Median	5.363	1	78	.023
	Based on Median and with adjusted df	5.363	1	62.940	.024
	Based on trimmed mean	5.433	1	78	.022

Table 5 Homogeneity Test on Solvency Data

Test of Homogeneity of Variances

		Levene Statistic	df1	df2	Sig.
DER	Based on Mean	38.129	1	78	.000
	Based on Median	36.843	1	78	.000
	Based on Median and with adjusted df	36.843	1	43.410	.000
	Based on trimmed mean	37.560	1	78	.000

Table 6 Homogeneity Test on Liquidity Data

Test of Homogeneity of Variances

		Levene Statistic	df1	df2	Sig.
CR	Based on Mean	49.833	1	78	.000
	Based on Median	39.652	1	78	.000
	Based on Median and with adjusted df	39.652	1	41.424	.000
	Based on trimmed mean	47.827	1	78	.000

Source: Authors, SPSS, 2024

From the Levene's test results table, the significance value obtained for the financial performance variable (ROE) is 0.021, which is less than 0.05. Additionally, for the solvency variable (DER), a significance value of 0.00 is obtained, which is also less than 0.05. In the liquidity (CR) variable test, the significance value is likewise below 0.05, specifically 0.00. Thus, it can be concluded from the tests on these three variables that there is no homogeneity

in the data. Therefore, in the subsequent independent samples t-test, the "Equal Variances Not Assumed" row should be used.

Independent Samples T-Test

The independent samples t-test aims to test the mean between two independent, unrelated groups to determine if there is a significant difference between the two sets of data. According to Pallant (2020), "The independent-samples t-test compares the means of two independent groups in order to determine whether there is statistical evidence that the associated population means are significantly different. It assumes that the data are normally distributed within each group and that variances between the groups are equal." The basis for decision-making, according to Pallant (2020), states, "The independent samples t-test is used to determine if there is a statistically significant difference between the means of two independent groups. If the Levene's test is significant ($p < 0.05$), the t-test is adjusted using a separate variance estimate." Based on this information, it can be concluded that for decision-making in the independent samples t-test, if the significance value is greater than 0.05, it indicates that there is no significant difference between the two groups. Conversely, if the significance value is less than 0.05, there is a significant difference between the two groups. The degree of difference between the two groups can be found in the Mean Difference column following the significance value (Sig. 2-Tailed).

Comparison of Profitability between Multinational and Domestic Companies

Table 7 T-Test on Profitability

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
ROE	Equal variances assumed	5.507	.021	1.790	78	.077	.01005	.00561	-.00113	.02123
	Equal variances not assumed			1.790	64.117	.078	.01005	.00561	-.00116	.02126

Source: Authors, SPSS, 2024

In the table showing the test results for profitability differences between multinational and domestic companies, the significance value in Levene's test is 0.021, which is less than 0.05, indicating that the assumption of equal variances is not met, or in other words, the data is not homogeneous. Therefore, for reading the t-test results, the second row, "Equal Variances Not Assumed," should be used. The Mean Difference column shows a value of 0.01005, indicating that the average profitability of multinational companies is 0.01005 higher than that of domestic companies. This is further supported by the Confidence Interval column, which ranges from -0.00116 to 0.02126, still including zero, indicating that the difference is not significant. Additionally, in the t-test column, the p-value (Sig. 2-Tailed) is 0.078, which is greater than 0.05, meaning there is no significant difference between the profitability of multinational and domestic companies, leading to the decision to accept H0 and reject H1.

Multinational companies have a slightly higher average profitability compared to domestic companies, though the result is not statistically significant. This outcome is influenced by many factors that can affect a company's profitability, including differences in business strategies and operational structures. While multinational companies may have access to various resources that support higher profitability, international market volatility can hinder their ability to achieve higher profitability.

Comparison of Solvency between Multinational and Domestic Companies

Table 8 T-Test on Solvency Data

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
DER	Equal variances assumed	38.129	.000	-16.453	78	.000	-1.81715	.11045	-2.03703	-1.59727
	Equal variances not assumed			-16.453	43.271	.000	-1.81715	.11045	-2.03984	-1.59446

Source: Authors, SPSS, 2024

In the above table, Levene's test shows a significance value of 0.00 < 0.05, indicating that the variance in solvency between multinational and domestic companies is unequal, or not homogeneous. Therefore, the t-test results should be read from the "Equal Variances Not Assumed" row. The t-test results show a p-value of 0.00 < 0.05, indicating a significant difference in solvency between multinational and domestic companies. However, the Mean Difference column shows a value of -1.81715, meaning that the average solvency of domestic companies is 1.81715 higher than that of multinational companies, confirmed by the confidence interval range of -2.03984 to -1.59446. Thus, H0 is rejected, and H2 is accepted.

The findings above support the pecking order theory, suggesting that multinational companies prioritize internal funding, reducing their reliance on debt or external financing. The results indicate that domestic companies have a higher solvency level compared to multinational companies. The lower solvency (DER) ratio for multinational companies suggests that they are less reliant on external funding than internal funding. Conversely, the higher solvency ratio of domestic companies compared to multinational companies indicates that domestic companies rely more on external funding than internal sources.

The access that multinational companies have plays an important role in internal funding, as multinational companies' ability to access international capital markets allows them to maximize internal funding. Lower solvency ratios reflect optimized financial strategies that involve the use of internal funding sources.

Comparison of Liquidity between Multinational and Domestic Companies

Table 9 T-Test on Liquidity Data

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
CR	Equal variances assumed	49.833	.000	15.746	78	.000	1.87913	.11934	1.64154	2.11671
	Equal variances not assumed			15.746	41.982	.000	1.87913	.11934	1.63829	2.11996

Source: Authors, SPSS, 2024

In the table above, Levene's test shows a significance value of 0.00, which is less than 0.05, indicating that the variance in liquidity between multinational and domestic companies is not equal, or in other words, the data is not homogeneous. Therefore, the next analysis should use the "Equal Variances Not Assumed" row. In the t-test table, the mean difference value is 0.00 < 0.05, indicating a significant difference in liquidity levels. The mean difference obtained from the test results is 1.87913, meaning that the average liquidity of multinational companies is 1.87913 higher than that of domestic companies. This is confirmed by the confidence interval, which ranges from 1.63829 to 2.11996, indicating that multinational companies have better liquidity than domestic companies. Thus, it can be concluded that H0 is rejected, and H3 is accepted.

Liquidity ratios are a measure of a company's ability to meet its short-term obligations using its current assets. Multinational companies have higher liquidity levels, indicating they possess more current assets than domestic companies. According to liquidity preference theory, multinational companies prefer to maintain higher levels of liquid assets than domestic companies to address uncertainties and risks in global markets. Multinational companies involved in international trade face exposure to currency fluctuations and political risks, leading them to focus on managing liquidity to ensure operational stability across various countries. High liquidity levels allow for more flexible cash flow management and investment.

Conclusion

In this study, based on the analysis and statistical testing results on the differences in profitability (ROE), solvency (DER), and liquidity (CR) between multinational and domestic companies, it can be concluded from the hypothesis testing that there is a significant difference in the solvency and liquidity variances between multinational and domestic companies. However, on the other hand, the profitability variance does not show a significant difference, even though the profitability level of multinational companies is higher than that of domestic companies. The better solvency and liquidity levels of multinational companies enable them to withstand risk shocks in the global market, whereas domestic companies have lower solvency and liquidity management strategies due to limited access to global markets.

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