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# Strategic Liquidity Management and Financial Performance: The Mediating Roles of Business Risk and Board of Directors in Indonesian Consumer Firms

**Betharia Efriani*[1], Azmii Lathifah[1], Gita Rahayu[1], Aulia Shafira Vanessa[1], Ahmad Syaifullah[1]**
[1]Fakultas Ekonomi, Universitas Sriwijaya
*E-mail: betharia27@fe.unsri.ac.id*

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**Abstract**
This study examines the relationship between strategic liquidity management and financial performance by incorporating business risk and the board of directors as mediating mechanisms in Indonesian consumer industry firms. Strategic liquidity management is proxied by the Current Ratio (CR), while financial performance is measured using Return on Investment (ROI). Business risk is represented by the Business Earnings Pressure Ratio (BEPR), and the board of directors acts as an intervening variable, with firm age included as a control factor to capture organizational maturity. Using balanced panel data from nine listed firms during 2018–2024, the study evaluates both direct and indirect relationships among the variables. The results indicate that strategic liquidity management positively affects financial performance. Indirect evidence shows that business risk improves operational stability and the board of directors strengthens governance effectiveness, which together enhance firm outcomes. These findings suggest that effective liquidity management, controlled business risk, and active involvement of the board of directors support sustainable financial performance. By integrating these variables within a single mediation framework in an emerging market context, this study provides a novel and comprehensive explanation of how internal financial conditions influence firm performance and contributes practical insights to the corporate finance and governance literature.

## INTRODUCTION

Indonesia's consumer goods industry represents a fundamental driver of national economic stability because household consumption consistently dominates aggregate demand. Official statistics show that household expenditure contributes more than half of Indonesia's gross domestic product, confirming consumption as the primary engine of economic growth (BPS, 2025). In parallel, the manufacturing sector, particularly food and beverage subsectors, remains among the largest contributors to industrial output and employment, highlighting the strategic importance of consumer-oriented firms within the national production structure (BPS, 2025). Expenditure surveys further document sustained demand for daily necessities and packaged food products across provinces, suggesting that consumer companies operate in relatively stable yet highly competitive markets. These macroeconomic conditions imply that corporate financial performance in this sector is closely connected to overall economic resilience.

At the firm level, financial outcomes vary considerably. Listed consumer companies often show heterogeneous profitability and margin dynamics, reflecting differences in operational efficiency, cost structures, and risk exposure. Such variation suggests that strong strategic liquidity management alone does not automatically translate into superior financial performance; instead, internal financial mechanisms and corporate governance jointly determine how efficiently firms convert resources into returns. Profitability and liquidity ratios generally enhance firm performance by providing financial flexibility and mitigating financing constraints, but these effects are strengthened when coupled with robust governance structures and risk oversight practices (Nguyen & Dao, 2022; Anugerah et al., 2023).

Risk management practices contribute to stabilizing earnings and protecting firm value under uncertainty, particularly when integrated with strategic governance mechanisms that monitor managerial actions and decision-making (Quang et al., 2024; Denia et al., 2024). Boards of directors,

audit committees, and other governance mechanisms serve as monitoring and advisory bodies that reduce agency conflicts, enhance decision quality, and indirectly moderate the impact of internal financial conditions on firm outcomes (Umairoh et al., 2025; Camenia Jamil et al., 2025; Santoso & Husaini, 2025). Recent studies in emerging market contexts, including Indonesia, confirm that the interplay between profitability, liquidity, and governance is complex, with governance quality often acting as a moderating or mediating factor in the translation of financial strength into firm performance (Tewu et al., 2024; Nurul Azizah Hasibuan et al., 2026).

However, empirical studies in emerging markets remain limited, particularly in integrating strategic liquidity management, business risk, and board of directors into unified analytical frameworks. Prior research has shown that corporate governance mechanisms such as board composition and governance quality are significantly associated with firm performance and financial outcomes, although results can vary by context and measurement (Ciftci et al., 2019; Suparman & Ng, 2024). Strong governance structures, often proxied by Corporate Governance Index scores, influence financial performance both directly and through risk oversight mechanisms such as risk management committees, highlighting the link between governance quality and firm performance in emerging markets (Suparman & Ng, 2024).

Moreover, literature reviews indicate that effective governance practices can enhance financial performance by improving transparency, decision processes, and accountability in emerging market firms (Mahmudi et al., 2024). Empirical evidence from Indonesian contexts also suggests that board of directors and financial risk variables affect firm performance and risk outcomes, further illustrating the need to consider multiple internal conditions simultaneously (Anggraini & Lestari, 2022; Margarita Ekadjaja, 2020). Despite these insights, comprehensive frameworks that jointly analyze strategic liquidity management, business risk, and board of directors to explain superior firm performance are still sparse, underscoring the need for further research to uncover the mechanisms through which internal financial conditions translate into superior firm performance in emerging economies.

Addressing this limitation, the present study explicitly links strategic liquidity management to financial performance through the mediating roles of business risk and the board of directors. The novelty of this research lies in integrating financial ratios, risk exposure, and governance structures within a single analytical framework, applying dual mediators to uncover indirect transmission mechanisms, and focusing on Indonesian listed consumer firms as an underexplored yet economically strategic sector.

Accordingly, this study aims to: (1) examine the direct effect of strategic liquidity management, proxied by the Current Ratio (CR), on financial performance measured by Return on Investment (ROI); (2) analyze the influence of CR on business risk proxied by the Business Earnings Pressure Ratio (BEPR); (3) evaluate the effect of CR on board of directors; (4) assess the impact of business risk on ROI; (5) determine the effect of the board of directors on ROI; (6) test whether business risk mediates the relationship between strategic liquidity management and financial performance; and (7) examine whether board of directors also mediates the same relationship while controlling for firm age. By clarifying these pathways, this study contributes new empirical evidence on how profitability is translated into sustainable financial outcomes in emerging market consumer industries.

**Agency Theory**

The principal agent problem, where owners (principals) delegate decision-making authority to managers (agents) who may pursue personal interests rather than shareholders' interests. This divergence, often caused by information asymmetry and opportunistic behavior, can lead to inefficiencies and lower financial performance, thereby necessitating governance mechanisms such as the board of directors to monitor and align managerial actions with shareholder (Putri Rafie et al., 2025).

**Resource-Based View (RBV) Theory**

Posits that a firm can achieve sustainable competitive advantage when it possesses resources that are valuable, rare, imperfectly imitable, and non-substitutable (Barney, 1991). This perspective also highlights the importance of effectively managed financial resources as one of the strategic assets contributing to long-term competitive performance (Krishnan, 2019).

**Risk Management Theory**

Emphasizes that maintaining optimal liquidity mitigates operational and financial risk, which in turn influences profitability. Business risk measures such as earnings volatility are mediators between liquidity strategies and performance outcomes because effective liquidity management stabilizes earnings and reduces susceptibility to adverse shocks (Eyalsalman et al., 2024).

**Corporate Governance Theory**

Focuses on mechanisms that ensure accountability and strategic oversight. The board of directors serves as a strategic governance body that influences risk monitoring, resource allocation, and financial performance. Robust governance practices are linked to better monitoring quality, which improves financial outcomes (Abiad et al., 2025; Mensah & Bein, 2023).

**Strategic Liquidity Management**

Refers to how firms maintain and deploy current assets to balance solvency and investment needs. The Current Ratio (CR) is a straightforward measure of liquidity and plays a crucial role in ensuring firms can meet short-term obligations while supporting operational continuity. Studies show that higher liquidity is associated with improved financial performance under effective governance and risk control, as liquidity enhances a firm's ability to invest and manage business risk (Eltweri et al., 2024).

**Business Risk (BEPR)**

Reflects the uncertainty associated with a firm's earnings and operational stability. Empirical research demonstrates that firms with higher liquidity levels tend to experience lower business risk, which translates into more stable profitability. Furthermore, liquidity risk has been shown to significantly shape financial outcomes in various sectors when combined with governance mechanisms (Eyalsalman et al., 2024; Baidoo, 2024).

**Board of Directors**

The BoD is central to corporate governance. Its composition, independence, and engagement significantly influence strategic decisions, risk oversight, and performance measurements. Contemporary studies link the characteristics and behavior of boards with financial outcomes, indicating that stronger boards facilitate better monitoring and strategic liquidity and risk decisions, ultimately enhancing firm performance (Nguyen & Dao, 2022).

**Financial Performance**

Return on Investment (ROI) and other measures of firm profitability reflect how effectively a company uses investment resources to generate earnings. Empirical evidence from international corporate governance research indicates that strong governance mechanisms including the structure and monitoring role of boards of directors are associated with better financial performance outcomes. Corporate governance mechanisms help enhance oversight quality, risk management, and strategic resource allocation, which in turn can improve firm profitability and value creation (Bhagat & Bolton, 2008; Guluma, 2021).

**Framework**

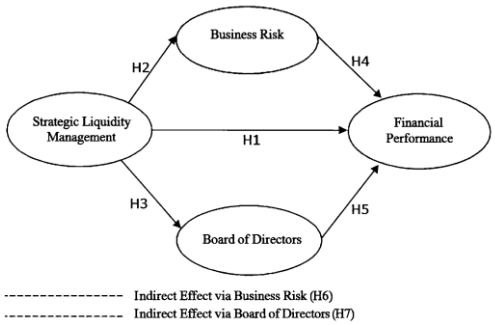


**Figure 1.** Framework

**CR → ROI**

Strategic liquidity management reflects a firm's capacity to meet short-term obligations while sustaining operational and investment activities. Adequate liquidity enables firms to avoid financial distress, reduce external financing costs, and allocate resources efficiently, thereby enhancing profitability and investment returns. Empirical evidence confirms that liquidity indicators significantly improve financial performance: in a study of non-financial listed firms in Vietnam, liquidity was found to have a positive impact on financial performance, suggesting that stronger liquidity positions support better profitability outcomes in emerging markets (Nam & Tuyen, 2024).

**CR → BEPR**

Liquidity also functions as a risk-buffering mechanism that mitigates operational uncertainty and earnings volatility. Firms with higher liquidity reserves are better equipped to absorb unexpected shocks and maintain stable cash flows, which reduces business risk exposure. Empirical research by shows that financial ratios, particularly liquidity measures, significantly influence business risk and operational stability, indicating that stronger liquidity is associated with lower risk levels. Therefore, effective liquidity management is expected to shape the Business Earnings Pressure Ratio (BEPR).

**CR → Board of Directors**

From a governance perspective, financial policies, including liquidity strategies, are closely monitored by the board of directors to ensure prudent resource allocation and risk control. Firms with stronger liquidity structures often exhibit more active board oversight, as directors engage in monitoring working capital policies and financial resilience, also (Mousa et al., 2023) finds that board governance mechanisms are linked to liquidity creation and financial stability, suggesting that board involvement is associated with liquidity decisions. Consequently, liquidity conditions may influence the functioning and effectiveness of the board of directors.

**BEPR → ROI**

Business risk represents the variability of earnings that may undermine profitability and long-term sustainability. High earnings pressure and operational uncertainty typically increase costs, reduce investor confidence, and deteriorate financial outcomes. Empirical findings from (Al-Nimer et al., 2024) indicate that higher liquidity and earnings risks negatively affect firm performance, confirming that risk exposure diminishes financial returns. Therefore, increased business risk is expected to reduce ROI.

**BoD → ROI**

The board of directors plays a central role in monitoring management and improving strategic decision-making, thereby enhancing organizational efficiency and profitability. Effective boards reduce agency conflicts, strengthen accountability, and promote optimal financial strategies, (Mensah & Bein, 2023) provide evidence that sound corporate governance practices are positively associated with firm financial performance, suggesting that stronger boards contribute to better outcomes. Hence, the board of directors is expected to positively influence ROI.

**Mediation of Business Risk mediates the relationship between CR→ROI.**

Liquidity decisions do not influence performance solely through direct mechanisms but also indirectly through risk transmission channels. Effective liquidity management stabilizes earnings and lowers business risk, which subsequently improves profitability, (Al-Nimer et al., 2024) demonstrate that risk variables mediate the relationship between financial policies and firm performance, confirming the mediating role of risk in translating financial strategies into outcomes. Thus, business risk is expected to act as an intermediary mechanism linking CR and ROI.

**Mediation of Board of Directors (controlling firm age) mediates CR→ROI.**

Corporate governance mechanisms may also transmit the benefits of liquidity strategies into financial performance. The board of directors oversees risk control, resource allocation, and strategic planning, enabling firms to convert liquidity strength into improved results. Governance effectiveness

often increases with organizational maturity; therefore, firm age may influence this relationship, (Abiad et al., 2025) show that stronger board governance enhances firm performance through better strategic oversight. Accordingly, the board of directors is expected to mediate the relationship between liquidity and performance while controlling for firm age.

## METHODS

### Research Type and Design

This study employs a quantitative explanatory (causal) research design to investigate the direct and indirect relationships between strategic liquidity management and financial performance, with business risk and the board of directors serving as mediating variables. The explanatory approach is appropriate for examining cause–effect relationships and testing theoretical hypotheses using statistical procedures (Sugiyono, 2025).

The research adopts a panel data design, combining cross-sectional (firms) and time-series (years) dimensions. Panel data provide greater variability, reduce multicollinearity, improve estimation efficiency, and allow better control of unobserved heterogeneity compared to pure cross-sectional or time-series (Baum, 2006; Wooldridge, 2023).

All empirical analyses are conducted using STATA software, which is widely recognized for its robustness in panel regression, mediation testing, and econometric modeling (Baum, 2006).

### Population and Research Sample

The population consists of consumer goods companies listed on the Indonesia Stock Exchange (IDX). This sector is selected because it significantly contributes to national economic growth and household consumption, making it relevant for examining the relationship between liquidity strategies, governance mechanisms, and financial performance. The sampling technique applies purposive sampling, with the following criteria: (1) Firms consistently listed on the IDX during the observation period, (2) Availability of complete annual financial statements, (3) Availability of data for all research variables (CR, BEPR, board of directors, ROI, and firm age) and (4) Firms not delisted during the study period. The unit of analysis is firm-year observations, consistent with panel data methodology recommended in financial and corporate governance research (Baum, 2006).

### Variable Operational Definition

This study includes one independent variable, two mediating variables, one dependent variable, and one control variable. All indicators are measured using a five-point Likert scale (1 = very low to 5 = very high) to standardize financial and governance indicators for composite scoring and statistical analysis.

### Data Collection Techniques

This study relies on secondary data obtained through documentation techniques. Financial and governance data are collected from: Annual reports and audited financial statements, Indonesia Stock Exchange (IDX) database, Official company websites and Industry statistical publications. Secondary data are considered objective, reliable, and suitable for quantitative financial research (Sugiyono, 2025). All data are coded, standardized, and prepared before statistical analysis.

### Data Analysis Techniques

The data were analyzed using STATA mix smartPLS 4 software following several sequential stages (Baum, 2006):

1. Descriptive Statistics, to summarize the characteristics of the data, including mean, standard deviation, minimum, and maximum values.
2. Diagnostic Testing, prior to model estimation, a multicollinearity test was performed using the Variance Inflation Factor (VIF) to ensure that independent variables were not highly correlated. For panel regression, classical assumption tests such as heteroskedasticity and autocorrelation were not treated separately because the estimation employs cluster-robust standard errors. According to (Wooldridge, 2023) cluster-robust estimators provide consistent inference in the presence of heteroskedasticity and within-panel serial correlation.

**Table 1.** Variable Operational Definition

| Variable | Definition | Indicators | References |
|---|---|---|---|
| Strategic Liquidity Management (CR) | The firm's capability to meet short-term obligations and maintain efficient working capital management | $\text{CR} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$ | (Eltweri et al., 2024) |
| Business Risk (BEPR) | The degree of earnings volatility and operational uncertainty faced by the firm | $\text{BEPR} = \frac{\text{Operating Expenses}}{\text{Operating Income}}$ | (Eyalsalman et al., 2024)(Al-Nimer et al., 2024) |
| Board of Directors | Governance mechanism responsible for monitoring management and strategic decision-making | BoD= Total number of directors on the board | (Mensah & Bein, 2023) |
| Financial Performance (ROI) | The firm's ability to generate returns from invested capital | $\text{ROI} = \frac{\text{EAT}}{\text{Total Assets}}$ | (Nam & Tuyen, 2024) |
| Firm Age (Control) | Organizational maturity reflecting operational experience and governance stability | AGE= Current Year−Year of Establishment (Incorporation) | (Baum, 2006) |

Source: Data processed by the Author (2026)

3. Panel Data Model Selection, appropriate regression model is determined through: Chow test (Common Effect vs Fixed Effect) and Hausman test (Fixed Effect vs Random Effect).
4. Panel Regression Estimation, empirical model is specified as:
   $ROIit = \delta 0 + \delta 1 CRit + \delta 2 BEPRit + \delta 3 BoDit + \delta 4 Ageit + ui + \epsilon it$ (1)
5. Mediation Analysis, roles of business risk and the board of directors were examined using a causal step regression approach and indirect effect estimation following. The analysis was implemented through sequential panel regressions. Indirect effects were calculated from the multiplication of path coefficients and confirmed using bootstrap tests with PLS 4. This procedure allows identification of both direct and indirect relationships within panel data structures (Baum, 2006), (Wooldridge, 2023).

## RESULTS AND DISCUSSION

### A. Result

Descriptive statistics are employed to provide a preliminary overview of the distributional characteristics of the research variables prior to conducting inferential analyses. This procedure summarizes the central tendency, dispersion, and range of the data through the mean, standard deviation, minimum, and maximum values. Such information is essential to understand the variability and overall patterns of the sample, as well as to assess the comparability and reliability of the dataset.

**Table 2.** Descriptive Statistics

```
. summarize cr bod bepr roi age
```

| Variable | Obs | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| cr | 63 | 2.754283 | 2.749855 | .4463617 | 13.3955 |
| bod | 63 | 5.650794 | 1.59797 | 4 | 9 |
| bepr | 63 | .1576544 | .1518811 | .0025852 | .5976369 |
| roi | 63 | .1204913 | .1143886 | .0067834 | .4467578 |
| age | 63 | 21 | 13.10873 | 1 | 43 |

Source: Data processed by the Author (2026)

The Current Ratio (CR) exhibits a mean value of 2.754, with a relatively high standard deviation of 2.749, suggesting significant variability in liquidity positions across the sampled firms, which range from a minimum of 0.446 to a maximum of 13.395. Regarding corporate governance, the Board of Directors size is relatively stable, with an average of 5.65 members, ranging from 4 to 9. In terms of financial performance, the Return on Investment (ROI) shows a mean of 12.04%, with a maximum peak

of 44.67%, while the BEPR yields an average of 15.76%. Finally, the Firm Age (Age) indicates a diverse sample of both emerging and established entities, with an average age of 21 years and a span ranging from 1 to 43 years. The consistency in the number of observations (N=63) across all variables confirms the absence of missing data points in the analyzed dataset.

**Table 3.** Multicollinearity Test

```
. estat vif

    Variable |       VIF       1/VIF
-------------+----------------------
          cr |      1.18    0.850643
         bod |      1.15    0.871170
        bepr |      1.11    0.901799
-------------+----------------------
    Mean VIF |      1.14
```

Source: Data processed by the Author (2026)

Diagnostics reveal that the model is free from significant inter-variable correlation. All independent variables cr, bod, and bepr exhibit VIF values ranging from 1.11 to 1.18, which are well below the conventional threshold of 10. Additionally, the tolerance levels (1/VIF) remain consistently high (above 0.85), and the Mean VIF is recorded at 1.14. These results confirm that the predictor variables are independent, ensuring the stability and reliability of the regression estimates.

**Table 4.** Chow Test

```
. testparm i.id

 ( 1)  2.id = 0
 ( 2)  3.id = 0
 ( 3)  4.id = 0
 ( 4)  5.id = 0
 ( 5)  6.id = 0
 ( 6)  7.id = 0
 ( 7)  8.id = 0
 ( 8)  9.id = 0

       F(  8,    50) =    3.39
            Prob > F =    0.0035
```

Source: Data processed by the Author (2026)

The results of the F-test for joint significance of the cross-sectional fixed effects indicate that the null hypothesis (all individual effects are equal to zero) is rejected. The test yields an F-statistic of 3.39 with a corresponding p-value (Prob > F) of 0.0035, which is significant at the 1% level. This confirms that significant individual-specific effects exist within the data. Consequently, the Fixed Effects (FE) model is statistically superior and more appropriate than the Pooled Ordinary Least Squares (OLS) model for this analysis.

**Table 5.** Hausman Test

```
  chi2(4) = (b-B)'[(V_b-V_B)^(-1)](b-B)
          =         5.58
Prob>chi2 =       0.2332
```

Source: Data processed by the Author (2026)

The test yields a chi-square ($X^2$) statistic of 5.58 with a corresponding p-value of 0.2332. Since the p-value is greater than the 0.05 significance level, we fail to reject the null hypothesis. This indicates that the individual effects are not correlated with the regressors, concluding that the Random Effects (RE) model is the more efficient and appropriate choice for this study.

**Table 6.** Panel Regression ROI

```
. xtreg ln_roi cr bepr bod age, re vce(cluster id)

Random-effects GLS regression                   Number of obs      =        63
Group variable: id                              Number of groups   =         9

R-sq:  within  = 0.4096                         Obs per group: min =         7
       between = 0.8843                                        avg =       7.0
       overall = 0.7537                                        max =         7

                                                Wald chi2(4)       =    271.16
corr(u_i, X)   = 0 (assumed)                    Prob > chi2        =    0.0000

                                    (Std. Err. adjusted for 9 clusters in id)
------------------------------------------------------------------------------
             |               Robust
      ln_roi |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
          cr |   .0174264   .0172268     1.01   0.312    -.0163376    .0511903
        bepr |   5.150309   1.335136     3.86   0.000     2.533491    7.767127
         bod |    .019272    .061697     0.31   0.755     -.101652     .140196
         age |   .0066638   .0100188     0.67   0.506    -.0129728    .0263004
       _cons |  -3.634905   .4325119    -8.40   0.000    -4.482613   -2.787197
-------------+----------------------------------------------------------------
     sigma_u |  .30635606
     sigma_e |  .41380784
         rho |  .35404464   (fraction of variance due to u_i)
------------------------------------------------------------------------------
```

Source: Data processed by the Author (2026)

The Random Effects GLS regression results, using robust standard errors, show an Overall R-squared of 75.37%. The partial significance of each variable is as follows: bepr, this is the only statistically significant predictor in the model ($p < 0.01$). It has a strong positive impact on ln_roi, with a coefficient of 5.1503. Cr (Current Ratio), the coefficient is 0.0174 with a p-value of 0.312, indicating no significant effect on profitabiltiy. BoD (Board of Directors), variable shows a p-value of 0.755, meaning it does not significantly influence the dependent variable. Age with a p-value of 0.506, the age of the firm is found to have no significant impact on ln_roi.

**Table 8.** Path Coefficients

| | T statistics (\|O/STDEV\|) | P values |
|---|---|---|
| CR -> Board of Directors | 4.001 | 0.000 |
| CR -> BEPR | 2.678 | 0.007 |
| CR -> Board of Directors -> ROI | 1.870 | 0.062 |
| CR -> BEPR -> ROI | 3.987 | 0.000 |

Source: Data processed by the Author (2026)

The results first show the direct effects of strategic liquidity management on the mediating variables. The relationship between CR and BEPR is statistically significant, with a T-statistic of 2.678 and a p-value of 0.007, indicating that liquidity management significantly influences business risk. Similarly, the relationship between CR and the Board of Directors is also significant, as reflected by a T-statistic of 4.001 and a p-value of 0.000, suggesting that the Current Ratio has a strong influence on board structure.

Following the direct effects, the mediation analysis reveals two indirect pathways from CR to ROI. The first indirect path, CR → BEPR → ROI, demonstrates a significant mediation effect with a T-statistic of 3.987 and a p-value of 0.000, indicating that BEPR successfully mediates the relationship between liquidity management and financial performance. In contrast, the second indirect path, CR → Board of Directors → ROI, shows a T-statistic of 1.870 and a p-value of 0.062, which exceeds the conventional 5% significance level. Although it suggests a marginal trend, the Board of Directors cannot be confirmed as a significant mediating variable between CR and ROI.

## B. Discussion

The empirical findings address each research objective in a structured manner. First, regarding objective (1), which examines the direct effect of strategic liquidity management (CR) on financial performance (ROI), the panel regression results in Table 6 indicate that the Current Ratio does not significantly influence ROI ($p = 0.312$). This suggests that liquidity strength alone does not directly translate into higher financial performance within the observed firms.

Second, concerning objective (2), the path analysis results in Table 8 show that CR has a significant effect on business risk (BEPR), with a T-statistic of 2.678 and a p-value of 0.007. This finding confirms that liquidity management significantly shapes firms' earnings pressure and operational risk exposure.

Third, for objective (3), CR also significantly affects the Board of Directors, as indicated by a T-statistic of 4.001 and a p-value of 0.000. This result implies that stronger liquidity conditions are associated with governance dynamics reflected through board structure or activity.

Fourth, addressing objective (4), the panel regression results reveal that business risk significantly influences ROI, with BEPR emerging as the only statistically significant predictor in the ROI model ($p < 0.00$). This demonstrates that operational risk conditions play a decisive role in determining firm financial performance.

Fifth, with respect to objective (5), the Board of Directors does not significantly affect ROI, as indicated by a p-value of 0.755 in Table 6. This suggests that board characteristics alone are insufficient to explain variations in financial performance within the sample.

Sixth, regarding objective (6), the mediation analysis confirms that business risk significantly mediates the relationship between CR and ROI. The indirect path CR → BEPR → ROI is statistically significant, with a T-statistic of 3.987 and a p-value of 0.000, indicating that liquidity management influences performance indirectly through risk transmission mechanisms.

Finally, for objective (7), the mediation role of the Board of Directors is not statistically supported. The indirect path CR → Board of Directors → ROI shows a T-statistic of 1.870 and a p-value of 0.062, exceeding the 5% significance threshold. Although a marginal tendency is observed, the Board of Directors cannot be confirmed as a mediating mechanism in the relationship between liquidity management and financial performance while controlling for firm age.

## CONCLUSIONS AND SUGGESTIONS

### A. Conclusion

This study finds that strategic liquidity management, proxied by the Current Ratio (CR), does not have a direct effect on financial performance (ROI). However, CR significantly influences business risk (BEPR) and the Board of Directors. Business risk is the only variable that shows a significant direct impact on ROI, whereas the Board of Directors does not significantly affect financial performance.

Mediation analysis confirms that BEPR significantly mediates the relationship between liquidity management and ROI, indicating that liquidity affects performance indirectly through risk mechanisms. In contrast, the Board of Directors does not demonstrate a significant mediating role in the relationship between CR and ROI, even after controlling for firm age.

### B. Suggestion

Future research is encouraged to include additional control variables such as firm size, leverage, or ownership structure to strengthen the financial performance model. Extending the observation period and applying more integrated analytical approaches, such as panel SEM, may provide deeper insights into causal relationships.

From a managerial perspective, firms should focus on managing operational and earnings risk when implementing liquidity strategies, as business risk has been shown to be the primary pathway through which liquidity management influences financial performance.

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