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The Effect of Leverage and Company Size on Profitability at PT. Mayora Indah

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INDEXING

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ABSTRACT

This research aims to examine the influence of leverage and firm size on the profitability of PT. Mayora Indah Tbk. The study utilized a quantitative methodology, incorporating multiple linear regression analysis as a key component of its framework. We measured the leverage variable using the Debt-to-Equity Ratio (DER) and evaluated the firm size variable using the natural logarithm of total assets (Ln total assets). This research was conducted at PT. Mayora Indah Tbk, employing the annual financial statements accessible on the IDX for the timeframe of 2020-2024. The findings of this study demonstrate that leverage exerts a positive and significant impact on profitability. This work suggests that a rise in leverage is associated with an increase in profitability, while a reduction in leverage corresponds to a decline in profitability; meanwhile, firm size appears to have no impact on profitability. This evidence suggests that the size of the company will not affect its profitability. The analysis examines how indebtedness and organizational scale concurrently impact the financial performance of PT. Mayora Indah Tbk. The leadership at PT. Mayora Indah Tbk should focus on the management of leverage to maintain and improve the company's profitability, as simple expansion does not ensure enhanced profitability without adequate efficiency and a well-conceived business strategy.

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INTRODUCTION

Financial ratios function as a tool for evaluating and measuring a company's financial performance. This ratio is obtained from data in financial documents, such as balance sheets, income statements, and cash flow statements. Financial ratios assess a company's internal performance, offer temporal comparisons, and permit benchmarking against industry peers. Financial ratios function as instruments for decision-making, identifying areas for improvement, and clarifying the company's position in a competitive market. Financial ratios offer vital information regarding multiple aspects of a company's financial health, encompassing profitability, liquidity, efficiency, and solvency (Jurnal.id, 2023).

Entrepreneurship research typically views firm growth as a favorable performance outcome. Profitability is an instrument employed to assess a company's capacity to make profits via the utilization of its owned resources. Stable profitability enables the company to sustain business continuity; conversely, inadequate profitability jeopardizes its ability to maintain operations (Hernawati & Masdalifah, 2022). The profitability level indicates its productivity and operational status in the current context (Liu et al., 2023). The company needs cash to sustain its business continuity, part of which is sourced from debt utilized for operational expenses. The level of debt influences profitability during financial distress; the company must not only focus on generating profit but also on servicing existing debt and its associated interest. Consequently, management must be executed to enable the company to utilize acquired cash while minimizing the risk of insolvency (Hermanto & Dewinta, 2023). Positive working capital is essential for reducing the cost of capital and enhancing corporate profitability (Alarussi & Gao, 2023). To attain these objectives, organizations must effectively acquire and leverage their economic resources through appropriate strategies (Karmir, 2018, in Yusuf et al., 2021).

Leverage is a fixed-cost asset or a source of finance for a corporation, derived from a loan. If interest is classified as a fixed expense, the source of credit financing will accrue interest. This renders leverage a mechanism for augmenting profits for the company's owners (Irene Agustina et al., 2023). Companies exhibiting elevated operating leverage demonstrate increased sensitivity to economic disruptions owing to fixed operating costs, such as labor expenditures and equipment upkeep (Donangelo et al., 2019). The significance of appropriate leverage is such that the growth and sustainability of firms hinge on this element (Rostami et al., 2022). Prior studies, like Anggraini & Cahyono (2021) and Hermanto & Dewinta (2023), have shown that leverage affects profitability. Research conducted by Widhi & Suarmanayasa (2021) and Anisa & Febyansyah (2024) indicates that leverage exerts a considerable detrimental impact on profitability. Research by Alfahruqi et al. (2020) indicates that leverage does not affect profitability.

Firm size serves as a metric for categorizing firms based on various criteria, such as total assets, employee count, sales, and market capitalization. Major corporations are likely to demonstrate stability and possess the ability to generate revenue. Previous research, including Hardana et al. (2022) and Pradnyaswari & Dana (2022), indicates that firm size does not affect profitability. Similarly, findings by Maulana & Rahayu (2022) and Alfahruqi et al. (2020) support the conclusion that company size has no significant impact on profitability.

PT. Mayora Indah Tbk is a company engaged in the processing of food and beverages. The company has been in operation since 1977 and is experiencing ongoing expansion (Mayoraindah.co.id, 2018). The corporation and its subsidiaries produce and classify their products into two categories: processed food and beverages, comprising six divisions that each yield unique but related items. Age, geography, or price do not limit the market share of the company's products. The company provides various product types to meet the demands of different markets, including Roma Biscuits, Torabika Coffee, Astor Wafers, and Energen, among others (Lembarsaham.com, 2025). The corporation provides information regarding its financial condition in financial statements that are clear, transparent, and understandable. PT. Mayora Indah Tbk is a publicly listed company on the Indonesia Stock Exchange (IDX).

LITERATURE REVIEW

The profitability ratio evaluates a firm's ability to generate maximum profits over a defined period. The profitability ratio indicates a company's managerial effectiveness. The profitability ratio provides benefits and objectives for both the company and external stakeholders (Kasmir, 2017, in Hardana et al., 2022). Profitability refers to the ratio of profit to the assets or capital that produce it. Profitability denotes a firm's ability to produce profits over a defined period (Maulana & Rahayu, 2022). Hardana et al. (2022) state that profitability evaluates a company's ability to generate profits. The profitability ratio is calculated using the following formula: ROA (Return on Assets) = (Net Profit After Tax) / (Total Assets)

Leverage represents a financial asset or resource utilized by a company, characterized by a fixed cost, with the capital being sourced through loans. In the realm of loan financing, one encounters interest, which serves a purpose as a fixed expense. This represents a mechanism that capitalizes on opportunities to enhance returns for company shareholders (Ramadhan, 2020, in Hermawan et al., 2021). Utilize Kasmir (2011), as referenced in Putri (2024), identifies the funds utilized as the leverage ratio or credit funds, solvency, or leverage, which serves as a crucial indicator of a company's asset coverage relative to its liabilities. This number indicates the proportion of liabilities the organization holds in relation to its available assets. Generally speaking, the ratio shows how much a liquidated company can meet its obligations. As noted by Gulthom (2021), leverage serves as a metric that illustrates the proportion of a company's debt structure. Leverage refers to the correlation between total assets and the utilization of debt to fund investments. As noted by Silviana and Hidayat (2024), leverage is a ratio employed to assess the extent of a business's indebtedness in relation to its investment financing. The debt-to-equity ratio serves as a metric for assessing leverage (DER). The debt-to-equity ratio (DER) serves as a metric for evaluating the relationship between a company's total debt and its equity, highlighting the sources of its funding. Utilizing the subsequent formula:

The debt-to-equity ratio is calculated by dividing total liabilities by total equity. The size of a company signifies its scale in relation to the industry within which it operates. The categorization of a business as either large or small is determined by various criteria, including total sales, average sales rate, and total assets (Anisa & Febyansyah, 2024). The amount of assets held by a corporation serves to determine its scale (Carolin & Susilawati, 2024). Companies are categorized into three distinct classifications: large-scale, medium-scale, and small-scale enterprises. The magnitude of a company significantly enhances its ability to secure both internal and external funding sources, thereby impacting its overall valuation. The aggregate assets designated for operational endeavors likewise signify the magnitude of the enterprise (Puspitaningrum & Hanah, 2024). Wansu and Dura (2024) contend that various categorizations of corporate size are predicated on the volume of assets. The augmentation of total assets suggests that the organization harbors enhanced long-term potential. A considerable corporate scale enhances investor assurance. The magnitude of the company corresponds to the natural logarithm of its aggregate assets.

RESEARCH METHOD

This study utilizes a quantitative methodology and statistical analysis to assess hypotheses. The research employs secondary data consisting of annual financial statements generated consecutively from 2020 to 2024 by PT. Mayora Indah Tbk, a firm listed on the Indonesia Stock Exchange. This study utilized the purposive sampling strategy for sample selection. The study includes profitability as an independent variable and two dependent variables: leverage and company size. Return on Assets (ROA) evaluates profitability, leverage is measured by the Debt to Equity Ratio (DER), and the Natural Logarithm (Ln) of total assets is employed to analyze firm size. The research aims to comprehend the interconnections among these variables and their influence on the company's overall financial performance. The study aims to offer insights that help guide strategic decision-making and improve operational efficiency inside the organization by analyzing these elements. The research uses descriptive analysis to evaluate leverage, business size, and profitability. The initial phase entails doing a classical assumption test to confirm compliance with the regression model assumptions, so guaranteeing that the conditions for precise regression results are satisfied. This assumption test includes a normality test, a multicollinearity test, a heteroscedasticity test, and an autocorrelation test. The research encompasses a model feasibility assessment (F test), succeeded by a partial test (T test), and conducts multiple linear regression analysis to ascertain the model's validity and interpret the results.

RESULT AND DISCUSSION

Table.1 Multicollinearity Test Results

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistict Tolerance	Collinearity Statistict VIF
1	(Constant)	-93.807	15.970		-5.874	.028		
	DER	140.818	22.590	1.005	6.234	.025	.838	1.193
	LN_ASET	-.048	.180	-.072	-.448	.698	.838	1.193

a. Dependent Variabel: ROA

Source: Data Processed, 2025

The Variance Inflation Factor (VIF) for the leverage variable is 1.193, and for the firm size variable, it is also 1.193. The VIF for the second independent variable is below 10, whereas the tolerance value for the DER variable is 0.838, and the tolerance for the firm size variable is also 0.838. Given that these values surpass 0.100, one may conclude that the assumption of multicollinearity is upheld, signifying the lack of multicollinearity indicators.

Table.2 Autocorrelation Test Results (Runs Test)

	Unstandardized Residual
Test Value[a]	-.23843
Cases < Test Value	2
Cases >= Test Value	3
Total Cases	5
Number of Runs	4
Z	.109
Asymp. Sig. (2-tailed)	.913

Source: Data Processed, 2025

The autocorrelation test findings, as determined by the Runs Test, yielded a test value of -0.23843 and a significance value of 0.913, exceeding 0.05; thus, it can be concluded that autocorrelation did not occur.

Table 3. Normalization Test Results (Kolmogorov Smirnov)

			Unstandardize d Residual
N			5
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviaton		.57016116
Most Extreme Differences	Absolute		.262
	Positive		.262
	Negative		-.173
Test Statistics			.262
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.312
	99% Confidence Internal	Lower Bound	.300
		Upper Bound	.324

Source: Data Processed, 2025

The asymptotic significance (2-tailed) value of 0.200 (>0.05) suggests that the data is normally distributed, as the obtained value surpasses 0.05. This indicates that there is no statistically significant divergence from normalcy in the sample. Therefore, additional analyses may be performed assuming the data satisfies the requisite conditions for parametric testing.

Table.4 Heteroscedasticity Test Results (Park Test)

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	53.339	17.854		2.988	.096
	DER	-776.174	25.255	-.956	-3.016	.095
	LN_ASSET	.049	121	.128	.405	.725

a. Dependent Variabel: ROA

Source: Data Processed, 2025

The DER variable shows a significance value of 0.095, while the firm size variable indicates a significance value of 0.725. The independent variable exhibits a significance value exceeding 0.05, which leads to the conclusion that there are no signs of heteroscedasticity, thus fulfills the criteria of the heteroscedasticity test.

Table.5 Determination Coefficient Test Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.978[a]	.956	.913	.80633

Source: Data Processed, 2025

The adjusted R-squared value of 0.913 indicates that the leverage and company size variables account for 91.3% of the company's value, whereas 8.7% is affected by external variables not included in this study.

Table 6. F Test Results

ANOVA[a]

Model		Sum of Square	df	Mean Square	F	Sig.
1	Regression	28.555	2	14.278	21.960	.044[b]
	Residual	1.300	2	.650		
	Total	29.855	4			

a. Dependent Variabel: ROA

b. Predictors: (Constant), DER, LN_ASSET

Source: Data Processed, 2025

The significance value found is 0.044 (<0.05), indicating that the leverage variable and firm size collectively exert a substantial influence on profitability. This finding suggests that as firm size increases, its leverage may play a crucial role in enhancing profitability. Understanding this relationship can help businesses make informed financial decisions to optimize their performance.

Table 7. Hypothesis Test Results (T Test)

Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	-93.807	15.970		-5.874	.028
	DER	140.818	22.590	1.005	6.234	.025
	LN_ASSET	-.048	.108	-.072	-.448	.698

a. Dependent Variabel: ROA

Source: Data Processed, 2025

The DER variable, representing leverage, shows a significance value of 0.025, which falls below the 0.05 threshold. Consequently, it can be determined that the DER variable exhibits a notable partial influence and a positive correlation with the dependent variable. The company size variable shows a significance value of 0.698, which surpasses the 0.05 threshold, suggesting that it does not have a significant relationship with the dependent variable. The findings of this study indicate that the significance value of the leverage variable (DER) is 0.025, which is below the threshold of 0.05. This suggests that the leverage variable exerts a strong and positive influence on profitability at PT. Mayora Indah Tbk during the period from 2020 to 2024. The findings of this study demonstrate a correlation between increased leverage and heightened profitability, whereas decreased leverage is associated with reduced profitability. According to Maulana & Rahayu (2022), the Debt-to-Equity Ratio (DER), which reflects funding strategies, plays a crucial role in influencing the company's profit achievement. The organization plans to leverage external investment to improve performance and support expansion, which will impact the achievement of profitability. The significant positive effect could be attributed to an elevated Debt-to-Equity Ratio (DER), which suggests that the company has access to substantial funds from creditors that can be leveraged to improve its earnings. The results of this study are consistent with the research conducted by Anggraini & Cahyono (2021) and Hermanto & Dewinta (2023), yet they stand in opposition to the conclusions drawn by Alfahruqi et al. (2020), which claimed that leverage has no effect on profitability. This variation in outcomes underscores the intricate nature of financial dynamics across various contexts and industries. Further investigation is essential to comprehend the underlying factors contributing to these varying outcomes, which will enhance our understanding of the impact of leverage on profitability across different market conditions.

The findings of the study suggest that company size has no impact on profitability, given that the significant value for the company size variable is 0.698, which surpasses the 0.05 threshold. The company's size will not affect the profitability of PT. Mayora Indah Tbk throughout the 2020-2024 timeframe. The size of a firm does not guarantee its ability to generate substantial profits; a company's performance cannot be evaluated solely based on its size. A large corporation may not always produce significant profits, while a smaller entity may achieve considerable profitability (Maulana & Rahayu, 2022). This evidence indicates that elements outside of the company's size play a more significant role in influencing PT's profitability. This study's findings support the results obtained in the research by Hermanto and Dewinta (2023) and Alfahruqi et al. (2020). The findings of this study contradict the conclusions of Hardana et al. (2022) and Pradnyaswari & Dana (2022), who proposed that firm size influences profitability. The study's results show that the F test value of 0.044 is less than 0.05, meaning that leverage and firm size together affect the profitability of PT. This indicates that the two variables together explain the variation in the company's profitability efficiently.

CONCLUSION

This study's results indicate that the variables of leverage and firm size concurrently influence the profitability of PT. Mayora Indah Tbk from 2020 to 2024. Leverage has a favorable and considerable impact on profitability for PT. Mayora Indah Tbk during the 2020-2024 period. The alteration in the leverage employed by PT. Mayora Indah Tbk will influence the company's profitability. The size of PT. Mayora Indah Tbk does not significantly affect its profitability. The expansion of a company's assets or scale does not directly correlate with an increase or decrease in profitability. Consequently, the management of PT. Mayora Indah Tbk must prioritize leverage management to sustain and enhance the company's profitability, as merely expanding the company's size does not guarantee increased profitability without a corresponding focus on efficiency and an appropriate business strategy. To enhance the comprehensiveness of the findings, future study may employ an extended observation period, broaden the research sample, and incorporate additional variables that have not previously been utilized.

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