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The Effect Of Net Profit From Company Size On Profitability In Industrial Companies Listed On The Stock Exchange

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Abstract

This study aims to analyze the effect of net profit and company size on company profitability. Profitability is an important indicator in assessing company performance because it reflects the company's ability to generate profits from its operational activities. The research method used is a quantitative method with an associative approach. The data used are secondary data obtained from the financial statements of the companies that are the objects of research. Data analysis was carried out using multiple linear regression analysis with the help of a statistical program, and a t-test was conducted to determine the effect of each independent variable on profitability. The results of the study indicate that net profit does not have a significant effect on profitability with a significance value of 0.606 (> 0.05). Meanwhile, company size has a positive and significant effect on profitability with a significance value of 0.016 (< 0.05). These findings indicate that company size is a factor that plays a role in increasing profitability, while net profit has not been proven to have a significant effect on company profitability..

Keywords: net profit, company size, profitability, multiple linear regression, company performance

INTRODUCTION

The industrial sector is a key pillar of the Indonesian economy, contributing significantly to national economic growth through value-added creation, employment creation, and increased national competitiveness (Renaldi & Anis, 2023). Industrial companies listed on the Indonesia Stock Exchange (IDX) play a strategic role in maintaining economic stability and attracting investors through transparent and accountable financial reporting. However, fluctuating global economic conditions, particularly during the COVID-19 pandemic in 2020–2022, have placed significant pressure on production, distribution, and market demand, resulting in a decline in the

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financial performance of various companies. These conditions have encouraged companies to improve resource management efficiency to maintain profitability and maintain business continuity (Soeratin, 2024).

A company's financial performance is generally measured by its profitability, which is the company's ability to generate profits from its resources. One of the most widely used profitability indicators is Return on Assets (ROA), a ratio that shows a company's ability to generate profits based on the total assets used. The higher the ROA, the more effectively the company utilizes its assets to generate profits. Therefore, ROA is an important indicator for investors, creditors, and management in evaluating the operational efficiency and effectiveness of a company's asset management.

The phenomenon in industrial companies listed on the Indonesia Stock Exchange shows that profitability levels vary widely between companies. Companies with large total assets do not necessarily generate high returns on assets. For example, PT Unilever Indonesia Tbk and PT Astra International Tbk both have substantial assets, yet their profitability levels differ due to differences in resource management effectiveness and profit-generating capabilities. This phenomenon indicates that large company assets do not always guarantee high profitability (Putri, 2023).

One factor thought to influence profitability is net profit. Net profit is the final result a company obtains after deducting all operating expenses, interest, and taxes for an accounting period (Rahman et al., 2023). The greater the net profit generated, the greater the company's ability to increase its profitability. From an Islamic economic perspective, earning profits through halal business activities is part of the effort to seek the blessings of Allah SWT, as explained in Surah Al-Jumu'ah, verse 10. Therefore, net profit can be used as an indicator of a company's success in managing operational activities effectively while also reflecting the company's ability to create added value for shareholders and stakeholders (Khairunnisa et al., 2023).

In addition to net profit, company size is also thought to influence profitability. Company size is generally measured by total assets. Larger companies have broader access to funding sources, technology, a qualified workforce, and greater market opportunities than smaller companies. From an Islamic perspective, assets are a trust that must be managed effectively, efficiently, and responsibly to benefit all stakeholders. However, large assets can also increase operational complexity and management costs. If not utilized optimally, they can actually reduce a company's effectiveness in generating profits (Viyanis et al., 2023).

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Various previous studies have examined the relationship between net income, company size, and profitability, but the results remain inconsistent. Research by Sari and Putra (2021) indicates that net income has a positive and significant effect on company profitability. Research by Berta Agus (2021) also found that company size has a positive effect on profitability. Conversely, research by Rialdy (2023) concluded that company size has no significant effect on profitability. These differences in research findings indicate a research gap that requires further study to gain a more comprehensive understanding of the factors influencing company profitability.

Based on empirical phenomena, the inconsistency of previous research results, and the dynamics of economic conditions during the 2019–2024 period, this study has a novelty by re-examining the effect of net profit and company size on profitability in industrial sector companies listed on the Indonesia Stock Exchange during the 2019–2024 period. This time period was chosen because it covers conditions before the COVID-19 pandemic, the pandemic period, and the post-pandemic economic recovery period, thus it is expected to provide a more comprehensive picture of the relationship between research variables. Thus, this study aims to analyze the effect of net profit and company size, both partially and simultaneously, on profitability as proxied by Return on Assets (ROA) in industrial sector companies listed on the Indonesia Stock Exchange during the 2019–2024 period.

METHOD

This study uses a quantitative approach with an associative approach, aiming to analyze the influence of net profit and company size on company profitability (Hariyanto & Ferdian, 2023). This quantitative approach was chosen because this study focuses on examining the relationship between variables through statistical analysis based on numerical data obtained from the company's financial statements.

The research subjects were industrial sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2024 period. The study population consisted of 65 industrial companies listed on the IDX. Sampling was conducted using thePurposive sampling, which is a sampling technique based on certain criteria to suit the research objectives. The criteria used include: (1) companies listed on the Indonesia Stock Exchange during the 2019–2024 period, (2) consistently publishing annual financial reports, (3) having complete data on net profit, total assets, and Return on Assets (ROA), and (4) not experiencing delisting during the research period. Based on these criteria, five companies were found to meet the requirements, namely PT HM Sampoerna Tbk., PT

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Gudang Garam Tbk., PT Indofood Sukses Makmur Tbk., PT Unilever Indonesia Tbk., and PT Astra International Tbk., resulting in 30 observation data.

The data used in this study is secondary data in the form of annual financial reports obtained through documentation techniques. The data sources come from the official website of the Indonesia Stock Exchange and the official websites of each company included in the study sample (Arlita et al., 2023). The data collected includes information on net profit, total assets, and Return on Assets (ROA) during the study period.

The independent variables in this study consist of net profit (X_1) and company size (X_2), while the dependent variable is profitability (Y), which is proxied using Return on Assets (ROA) (Malik, 2025). Company size is measured using the natural logarithm (Ln) of total assets, while Return on Assets is calculated by comparing net income to total assets. The use of these indicators aims to illustrate the company's ability to utilize its assets to generate profits.

Data analysis was performed using the Statistical Package for the Social Sciences (SPSS). The analysis stages included descriptive statistical analysis to describe the characteristics of the research data, followed by classical assumption tests consisting of normality, multicollinearity, heteroscedasticity, and autocorrelation to ensure that the regression model met the basic assumptions of the analysis (Subu et al., 2024). Next, a multiple linear regression analysis was performed using the following equation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Hypothesis testing was conducted at a 5% significance level. The t-test was used to determine the partial effect of each independent variable on profitability, while the F-test was used to simultaneously examine the effect of net income and company size on profitability. Furthermore, the coefficient of determination (R^2) was used to measure the extent to which the independent variables explain variations in company profitability.

RESULTS AND DISCUSSION

Classical Assumption Test

Classical assumption tests, consisting of multicollinearity, normality, heteroscedasticity, and autocorrelation tests, must be carried out to see valid data.

Multicollinearity Test

The multicollinearity test is used to determine whether there is a high correlation. The results of the multicollinearity test are shown below:

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Table 1 Multicollinearity test

Model	Collinearity Statistics Tolerance	VIF
(Constant)		
Net profit (X1)	0.631	1,450
Company Size (X2)	0.631	1,450

Output source: SPSS 2026

If the VIF value is less than 10 and/or the tolerance value is more than 0.1, it is correctly concluded that there is no multicollinearity problem. As stated in the data above, the VIF value of variables X1 and X2 is 1.450, less than 10.00, and the tolerance value of variables X1 and X2 is 0.631, more than 0.1, which clearly indicates that there is no multicollinearity problem in the data.

Normality Test

A normality test is performed to determine whether the data is normally distributed. Data that is normally distributed with certain decision-making criteria is considered good data. The results of the normality test are shown in the table below, with a significance level of 5%.

Table 2 Normality test

		Unstandardized Residual
N		35
Normal Parameters	Mean	0.000000
	Standard Deviation	7.57427743
Most Extreme Differences	Absolute	0.139
	Positive	0.139
	Negative	-0.114
Test Statistics		0.139
Asymp. Sig. (2-tailed)		0.067

Output source: SPSS

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The residual values are normally distributed, according to the sig (2-tiled) value of 0.067, explaining that the normality value is greater than 0.05.

Heteroscedasticity Test

A heteroscedasticity test was conducted to determine whether the variance and residuals in the regression model differed from those in other studies (Jefri & Andin, 2022). The analysis used in the heteroscedasticity test was the Glacier test. The following shows the results of the heteroscedasticity test:

Table 3 Heteroscedasticity test

Model	Ustand ardize B	Coefficients Std. Error	Standardized coefficientents Beta	t	Sig
(constant)	8,677	0.800		7.4 35	0.00 0
X1	-0.005	0.006	-0.220	- 1.2 13	0.242
X2	-0.077	0.047	-0280	- 1.5 27	0.137

Output source: SPSS

A significance level of 5% or 0.05 was used in this test. The test results indicate no heteroscedasticity in the data, so it can be explained that the data is acceptable if the 2-tailed sig value is greater than 0.05. The data results above show that sig XI is 0.242 and X2 has a significance value of 0.137, which can be concluded that the data is acceptable.

Multiple Linear Analysis Test

1. F test

The F test was conducted to determine whether there was an influence of the independent variables, namely net profit (X1) and company size (X2) on the dependent variable, profitability (Y). The sig level used was 5%. If the sig value is smaller than 0.05, there is an influence between variables X and Y, conversely, if the sig value is greater than 0.05, it means that variable X has no effect on variable Y. The results of the f test can be seen in table 6 below:

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Table 4 F test

N	Sign Tariff	Sign
35	0.05	0.011

Source: SPSS 2026

Net profit and company size on profitability from the results of the F test above with a sig value of 0.0011 indicate that there is an influence from the variables tested.

2. T-TEST

Table 5 T-test

Model	Ustand ardized Coefficent B	St d. Er or	Ustand ardized Coeffici Beta Ent	t	Sig
constant	8,757	1,821		4,457	0.000
Net profit	0.0008	0.002	0.126	0.767	0.606
Size company	0.262	0.120	0.263	2,630	0.016

Output source: SPSS 2026

If the sig value is less than 0.05, the conclusion is that the effect is significant. In the table above, the sig result of the net profit variable is 0.606, greater than 0.05, which can be concluded that there is no effect on profitability. And for Company Size, the sig value of the X2 variable is 0.016, less than 0.05, it can be concluded that company size has an effect on the profitability ratio.

DISCUSSION

1. The influence of net profit and company size on profitability

Based on the f test calculation, it was found that there was a simultaneous influence between variable X on variable Y. This research is supported by research from Arhan Putra (2022), Sofia (2024), Nurlita (2023) which explains that there is an

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influence of the net profit variable (X1) and company size (X2) together on the profitability variable (Y).

2. **The Effect of Net Profit on Profitability**

Based on the t-test results, the net profit variable has a regression coefficient value of 0.0008, a calculated t-value of 0.767, and a significance value of 0.606. Since the significance value is greater than 0.05 (0.606 > 0.05), it can be concluded that net profit does not have a significant effect on profitability.

These results indicate that increases or decreases in a company's net profit do not significantly impact its profitability. Therefore, the hypothesis that net profit influences profitability is rejected. This is likely because a company's profitability is influenced not only by net profit but also by other factors such as asset efficiency, cost management, and operational conditions.

The results of this study align with those of Putri and Rahmawati (2022), who stated that net profit does not always significantly increase a company's profitability. The amount of net profit earned by a company does not necessarily reflect its ability to manage assets and capital to generate optimal profits. Therefore, net profit is not the sole factor determining a company's profitability.

3. **The Effect of Net Profit on Profitability**

Based on the t-test results, the net profit variable has a regression coefficient value of 0.0008, a calculated t-value of 0.767, and a significance value of 0.606. Since the significance value is greater than 0.05 (0.606 > 0.05), it can be concluded that net profit does not have a significant effect on profitability.

These results indicate that increases or decreases in a company's net profit do not significantly impact its profitability. Therefore, the hypothesis that net profit influences profitability is rejected. This is likely because a company's profitability is influenced not only by net profit but also by other factors such as asset efficiency, cost management, and operational conditions.

The results of this study align with the theory proposed by Indah Sari (2025), which states that larger companies have more resources, easier access to funding, and better capabilities in developing their businesses, thus increasing profitability. These results also align with research by Sari et al. (2023), which states that company size has a positive effect on profitability, where the larger the company, the greater its ability to generate profits.

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CONCLUSION

Based on the research findings on the effect of net profit and company size on profitability, it can be concluded that net profit does not have a significant partial effect on profitability. This is indicated by a significance value of 0.606, which is greater than 0.05. These results indicate that changes in net profit have not significantly impacted the company's profitability.

Meanwhile, company size has a positive and significant effect on profitability. This is indicated by a significance value of 0.016, which is less than 0.05. The results show that the larger the company size, the higher the profitability.

Larger companies tend to have better resources, assets, and operational capabilities, thus improving company performance and profits.

Thus, it can be concluded that company size is a factor influencing profitability, while net profit was not shown to have a significant effect on profitability in the companies studied. The results of this study are expected to provide considerations for companies in increasing profitability through optimal resource management and business scale development.

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