

The Influence of Net Profit Margin and Company Size on Financial Performance in Product Sub-Sector Companies Registered Households on BEI 2021-2023**Rizka Fazria¹⁾, Salsabila Azzahro Lubis²⁾, Alma Hafsa Fadilah³⁾, Intan Afriliyani⁴⁾, Dio Jeremia Sembiring⁵⁾, Meigia Nidya Sari^{6*)}**^{1,2,3,4,5,6)}Accountancy, Faculty of Social and Science, University Pembangunan Pancabudi

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Email : meigia@dosen.pancabudi.ac.id**Abstract**

This research investigates how profitability and company size affect financial performance among household product companies listed on the Indonesia Stock Exchange from 2021 to 2023. Employing a quantitative methodology with multiple linear regression, the study analyzes 27 samples selected through purposive sampling. The analysis reveals that Net Profit Margin, as a measure of profitability, significantly impacts financial performance, demonstrated by a regression coefficient of 0.244 and significance level of 0.003 ($p < 0.05$). Similarly, company size shows a significant influence with a regression coefficient of 0.210 and significance level of 0.000 ($p < 0.05$). When examined together, both factors demonstrate substantial impact on financial performance, supported by an F-value of 19.350 and significance level of 0.000 ($p < 0.05$). These results suggest that companies maintaining higher profitability levels and larger operational scales typically achieve superior financial performance. Based on these findings, the study recommends that management focus on improving operational efficiency and strategic business expansion to maximize performance outcomes.

Keywords: Profitability, Firm Size, Financial Performance, Multiple Linear Regression.

INTRODUCTION

Particularly in light of SAK ETAP (Financial Accounting Standards for Entities Without Public Accountability), fixed asset accounting is essential in assessing the caliber of financial statements of organizations that are not subject to public scrutiny. An entity's fixed assets are physical objects that are owned for use in business operations and are anticipated to generate financial gains over an extended period of time. Therefore, it is necessary to carefully follow the guidelines outlined in SAK ETAP No. 15 when it comes to the recognition, measurement, depreciation, and derecognition of fixed assets (Nasution, 2023).

Fixed assets include various types of property, plant and equipment necessary for the company's operations. Proper management of fixed assets is very important because it can affect the financial performance and financial position of the entity. The quality of good financial statements depends largely on how fixed assets are recorded and reported. Errors in recognition or measurement can cause distortions in the income statement and balance sheet, which in turn can affect managerial decisions and stakeholder perceptions. Two requirements must be satisfied for fixed assets to be recognized at acquisition under SAK ETAP No. 15: the asset's cost must be accurately determined, and it is likely that the entity will receive future economic benefits related to the asset. For the purpose of analyzing the performance of the business, proper recognition guarantees that the financial statements accurately depict the true value of fixed assets (Nasution et al, 2024).

After initial recognition, property and equipment are measured at cost less accumulated depreciation. Cost includes all costs necessary to bring the asset to a location and condition ready

for use. In practice, there are often errors in calculating the acquisition cost, where additional costs such as transportation or installation are not included. This can lead to undervaluation or overvaluation of the fixed assets listed in the financial statements.

A fixed asset's cost is distributed over its useful life through a process known as depreciation. The declining balance and straight-line methods are frequently employed depreciation techniques. The choice of depreciation method should reflect the pattern of use of the economic benefits of the asset. Inaccuracies in calculating depreciation can result in higher or lower reported profit than it should be, thus affecting investment and financing decisions.

Derecognition of property and equipment occurs when the asset no longer provides economic benefits or when it is disposed. At the time of derecognition, an entity should calculate the loss or gain on derecognition by comparing the carrying amount with the net sales proceeds. This procedure is necessary to guarantee that the income statement accurately represents the equipment and property's realized value.

The quality of financial statements is greatly influenced by the accounting treatment of fixed assets. Accurate and transparent reports provide relevant information for stakeholders to make informed decisions. Conversely, errors in accounting treatment can lead to misleading information, harming investors and creditors (Nasution et al, 2021).

In the context of SAK ETAP No. 15, the accounting treatment of fixed assets must be carried out consistently and in accordance with applicable standards to ensure the quality of financial statements. Thus, entities can improve the transparency and accuracy of their financial information, support better managerial decision making and increase stakeholder confidence in the company's financial statements (Nasution et al, 2024).

This research examines how Net Profit Margin (NPM) and company size influence the financial performance of consumer goods sub-sector companies listed on the Indonesia Stock Exchange during 2021-2023, both individually and collectively. The study focuses on how companies' net income generation capabilities from sales and their operational scale affect financial performance. The findings aim to contribute both theoretical and practical insights into understanding financial performance dynamics in the consumer goods sub-sector, serving as a reference for investors, management, and stakeholders in strategic decision-making (Nasution & Welly, 2023).

RESEARCH METHODS

According to Sugiyono (2019), quantitative research is a method based on the philosophy of positivism, used to study specific populations or samples, with sampling techniques generally conducted randomly. In line with this perspective, this study employs a quantitative approach with a causal associative research method. This approach was chosen because it allows for testing causal relationships between independent variables (profitability and company size) and the dependent variable (financial performance) using numerical data and comprehensive statistical analysis.

The study population comprises all consumer goods sub-sector companies listed on the IDX from 2021 to 2023, totaling nine companies. Using saturated sampling, all population members are included due to the small population size. With a three-year study period, this yields 27 total observations.

The sampling technique used is purposive sampling with a saturated sampling method (census), where all population members are used as samples. According to Arikunto (2018), saturated sampling is conducted when the population size is relatively small, fewer than 30 companies. With a study period of three years (2021– 2023), the total sample size is 27, calculated as follows: number of companies: 9, study period: 3 years, total sample: $9 \times 3 = 27$ research samples.

Sekaran and Bougie (2016) emphasize the importance of selecting representative samples to generate accurate generalizations. In this study, using the entire population (9 companies) over a three-year period is expected to provide a comprehensive view of the influence of profitability and company size on financial performance.

Husein Umar (2013) explains that secondary data is primary data that has been processed further and presented by the primary data collector. This study uses secondary data obtained from reliable sources, including annual financial reports published on the official IDX website (www.idx.co.id), company annual reports available on their respective websites, and official databases related to company financial information. The selection of secondary data aims to ensure accurate, structured, and accountable information.

According to Sugiyono (2019), a hypothesis is a provisional answer to a research problem statement that must be tested empirically. This study proposes three hypotheses to examine the influence of independent variables on the dependent variable:

H1: Profitability significantly affects financial performance.

H2: Company size significantly affects financial performance.

H3: Profitability and company size simultaneously have a significant effect on financial performance.

Nazir (2014) defines data collection methods as techniques or approaches used by researchers to collect data. This study employs several data collection techniques, including:

1. Documentation method: collecting and recording data from financial reports and official company documents.
2. Literature study: obtaining theoretical foundations and references to support the research.
3. Online data search: accessing the official IDX and company websites. These combined techniques aim to produce comprehensive and accurate data.

Hair et al. (2014) emphasize the importance of data analysis stages in quantitative research to derive valid conclusions. Among the data analysis methods used in this study are: Using the mean, median, standard deviation, and variance to describe the properties of research variables is known as descriptive statistical analysis. The regression model is checked for statistical requirements using traditional assumption tests, such as the autocorrelation, heteroscedasticity, multicollinearity, and normality (Kolmogorov- Smirnov) tests. Multiple linear regression analysis: measuring the influence of independent variables on the dependent variable using the equation: $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \varepsilon$.

Hypothesis testing: conducted through t-tests (partial), F-tests (simultaneous), and analysis of the coefficient of determination (R^2). In line with Ghozali (2016), data analysis will be performed using the latest version of SPSS (Statistical Package for Social Sciences) statistical software to ensure accuracy and ease of data processing.

RESULTS AND DISCUSSION

This study aims to analyze the influence of profitability and company size on financial performance in household product sub-sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. By collecting secondary data from company financial reports, the study tests three main hypotheses using multiple linear regression analysis. Based on the data analysis, the discussions for each research hypothesis are as follows:

H1: Net Profit Margin significantly affects a company's financial performance. This hypothesis is accepted, as evidenced by a regression coefficient value of 0.244 and a significance value of 0.003 (< 0.05). These results indicate that an increase in Net Profit Margin will lead to an improvement in a company's financial performance. This finding aligns with research by Mailinda (2018), which revealed that profitability positively influences financial performance. It suggests that companies capable of achieving high profit margins tend to exhibit better financial performance.

H2: Company size significantly affects financial performance. This hypothesis is accepted, demonstrated by a regression coefficient value of 0.210 and a significance value of 0.000 (< 0.05). These findings confirm that larger companies tend to have better financial performance. This result is consistent with the study by Pratama and Wiksuana (2016), which stated that company size positively influences financial performance. Larger companies generally have better access to resources and capital markets, enabling them to optimize their financial performance.

H3: The findings, particularly for the third hypothesis (H3), demonstrate that NPM and company size jointly significantly impact financial performance, supported by an F- test significance value of 0.000 and an F-value of 19.350. This aligns with previous research indicating that profitability and company size together positively influence financial performance.

This research underscores that optimizing profitability and expanding business dimensions are crucial factors for strengthening the financial performance of IDX-listed companies within the household product sub-sector. PT Cottonindo Ariesta Tbk serves as an example of a company that has achieved optimal performance, with the highest NPM and company size among the research sample.

These findings provide practical implications for company management to focus their strategies on improving operational efficiency to maximize profit margins, as well as executing well-planned business expansions to achieve optimal economies of scale. By implementing appropriate strategies, companies in this industry can enhance competitiveness and achieve better financial performance in the future.

CONCLUSION

According to this study, a company's size and profitability have a significant impact on its financial performance. Profitability, which measures how well a business makes money, is essential for boosting the trust that creditors and investors have in the business's abilities. On the other hand, company size signifies the scale of operations that affects access to resources, managerial capacity, and growth potential. The combination of these two variables strengthens

a company's position in facing market challenges. In general, companies in the household goods subsector listed on the Indonesian Stock Exchange (INDX) should implement strategies aimed at improving the efficiency of their activities and increasing the size of the company. Enhancing profitability not only impacts short-term financial performance but also strengthens the company's financial foundation for long-term growth. Similarly, well-planned expansion will boost competitiveness and enable companies to leverage greater economies of scale. These conclusions underscore the importance of effective management in overseeing profitability and managing corporate growth. By integrating balanced strategies for profit enhancement and expansion, companies can achieve more optimal financial performance and create added value for stakeholders.

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