

The Effect of Leverage, Sales Growth and Company Size on Profitability (Study on Automotive and Component Companies Listed on the Indonesia Stock Exchange)

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Abstract:- The purpose of this study was to determine the effect of leverage, sales growth, and company size on profitability in automotive companies and components listed on the Indonesia Stock Exchange from 2014 to 2018. The number of samples studied in this study were 65 samples consisting of 13 companies with 5 research periods. This study uses multiple linear regression as an analysis tool with the Eviews 9.0 program to test the hypothesis. The research results prove that leverage has a negative and significant effect on profitability, sales growth has no effect on profitability and firm size has no effect on company profitability. Leverage variables, sales growth, and company size affect profitability amounting to 49.92% while the remaining 50.08% is influenced by variables other than the variables under study.

Keywords:- Leverage, Sales Growth, Company Size, Profitability.

I. INTRODUCTION

Profitability is the ability of a company to earn profits related to sales, total assets, and own capital (Sartono, 2010). The amount of net income is often compared to the size of other financial activities or conditions such as sales, assets, shareholder equity. The amount of profit is also used to assess the company's performance. For leaders of manufacturing companies, profitability can be used as a measure to determine the success or failure of the company they lead, while for investors it can be used as a measure of the prospect of capital invested in the company. A company is said to be good if the company can operate stably in the long term so that the company will have no difficulty in repaying its debts, both short-term and long-term. Leverage is an important factor to influence profitability because leverage can be used by companies to increase company capital in order to increase profits (Singapurwoko, 2011). Financing with debt or financial leverage according to Brigham and Houston (2010) has three important implications, namely: first, obtaining funds through debt allows shareholders to maintain control over companies with limited investment. Second, creditors see the equity or funds deposited by the owner to provide a margin of safety, so that if shareholders only provide a small portion of the total

financing, the company's risk is largely on the creditors. Third, if the company gets a greater return on investment financed with borrowed funds than interest payments, the return on owner's capital will be greater.

Sales growth is an increase in the number of sales from year to year or from time to time (Kennedy et al., 2013). Sales is an important criterion for assessing the profitability of a company and is a major indicator of company activity. Sales growth has a strategic influence on the company because sales growth is marked by an increase in market share which will have an impact on increasing sales of the company, thereby increasing the profitability of the company (Pagano, 2003). Companies with larger sizes have greater access to sources of funding from various sources, so that obtaining loans from creditors will be easier because companies with large sizes have greater profitability to win the competition or survive in the industry. On the other hand, small-scale companies are more flexible in dealing with uncertainty, because small companies react more quickly to sudden changes. Therefore, allowing a large change the level of leverage will be greater than a small company.

Profitability is the company's ability to earn profits in relation to sales, total assets and own capital (Sartono, 2010). Profitability ratios, also known as operating performance ratios, are used to evaluate the profit margins of the company's operating assets. In other words, profitability is the company's ability to make a profit. Profitability is the company's ability to make a profit (Putra and Diantini, 2015). Profitability is the company's ability to earn profits through all existing capabilities and resources such as sales activities, cash, capital, number of employees, number of branches, and so on (Bhawa and S, 2015).

Gross profit margin is used to find out the company's gross profit from the sale of each product. This ratio is strongly influenced by the cost of goods sold. If the cost of goods sold increases, the gross profit margin will follow and vice versa. In other words, this ratio measures the efficiency of controlling the cost of goods or production costs, indicating the company's ability to produce efficiently. The formulation of gross profit margin is as follows:

$$\text{Gross Profit Margin} = \frac{\text{Net sales} - \text{Cost of goods sold}}{\text{Net sales}}$$

A more specific measurement of the profitability ratio in relation to sales is to use the net profit margin or the net profit margin. Net profit margin is a measure of a company's profitability from sales after accounting for all expenses and income taxes. The formulation of net profit margin is as follows:

$$\text{Net profit margin} = \frac{\text{Net income after tax}}{\text{Net sales}}$$

If the gross profit margin has not changed much over the years but the net profit margin has decreased over the same time period, then it may be because the selling, general, and administrative costs are too high relative to the sale, or the tax rate is higher. On the other hand, if the gross profit margin falls, it may be because the cost of producing goods increases when compared to their sales (James Van Horne and John M. Wachowicz, 2009).

Return on assets (ROA) shows the company's ability to generate profits from the assets used. Return on assets (ROA) is the most important ratio among the existing profitability ratios. Return On Asset (ROA) or what is often called Return On Investment (ROI) is obtained by comparing net income after tax to total assets (James Van Horne and John M. Wachowicz, 2009).

Mathematically, ROA can be formulated as follows:

$$\text{Return On Assets} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

According to James Van Home and John M. Wachowicz (2009) that the net profit margin and the asset turnover ratio cannot provide an adequate measurement of the overall effectiveness of the company. Net profit margin is not takes into account the use of assets, while the asset turnover ratio does not take into account profitability in sales. ROA can overcome both of these weaknesses. An increase in the company's profit-generating power will occur when there is an increase in asset turnover, an increase in net profit margin, or both.

An explanation of several factors that influence profitability is:

a. Quick Ratio

Quick ratio measuring the company's ability to meet short-term liabilities by using current assets that are more liquid, that is, without including the inventory element divided by current liabilities.

b. Net Profit Margin

Net profit margin is the ratio between net profit (net profit), which is a sale after deducting all costs, including taxes, compared to sales.

c. Firm Size

The size of the company can be expressed in terms of total assets, sales, and market capitalization. The greater the total assets, sales, and market capitalization, the greater the size of the company. Of the three variables, the asset value is more stable than the market capitalization value and sales in measuring company size.

Profitability indicators in this study are (ROA) Return On Assets.

$$\text{Return On Assets} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

According to Agus Sartono (2010), leverage is the use of assets and sources of funds by companies that have fixed costs (fixed costs) in order to increase the potential profit of shareholders. Leverage is the amount of debt used to finance / buy company assets. Companies that have debt greater than equity are said to be companies with a high degree of leverage.

The leverage ratio shows the proportion of the use of debt to finance the investment. Companies that do not have leverage means using their own capital 100%. According to Agus Sartono (2010), the use of debt for companies contains three dimensions, namely :

1. Creditors will focus on the amount of collateral for the credit provided.
2. By using debt, if the company gets a profit that is greater than its fixed expenses, the owner of the company will increase the profit.
3. By using debt, the owner gets funds and does not lose control of the company.

To calculate the amount of use of company debt, you can use the Debt to Assets Ratio, which is the ratio of total liabilities to assets. This ratio emphasizes the importance of debt financing by showing the percentage of the company's assets supported by DAR debt can be formulated as follows:

$$\text{DAR} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Sales are a source of company revenue. The company certainly wants its sales growth to remain stable or even increase from year to year. If the company's sales growth remains stable or even increases, and costs can be controlled, then the profits will increase. If profits increase, the profits that investors will get can also increase. Based on Higgins (2003) statement, it can be seen that the company's growth rate can be seen from the volume growth and price increase, especially in terms of sales, because sales is an activity that is generally carried out by companies to achieve the expected goals, namely the level of profit desired. Sales Growth Indicators in this study using the formula according to Harahap (2008) is as follows:

$$\text{Sales growth} = \frac{\text{Sales this year} - \text{Last year's sales}}{\text{Last year's sales}}$$

Company size is the average of total net sales for the year to several years. In this case the sales are greater than the variable costs and fixed costs, the amount of income before tax will be obtained. Conversely, if sales are smaller than variable costs and fixed costs, the company will suffer losses (Brigham and Houston, 2010). According to Gill and Joggi (1999) (in Nuryawati, 2008) size is measured using the logarithm of total assets.

Size it = log Total Asset it :

Size it = Company size I in year t

Total asset it = Total assets owned by company i in year t

➤ *The Effect of Leverage on Profitability*

Leverage is the use of assets and sources of funds by companies that have fixed costs (fixed expenses) with the intention of increasing the potential profits of shareholders. From this understanding, it can be seen that leverage is the use of assets and sources of funds that have fixed costs or expenses that come from loans in order to increase the potential profit of shareholders. Or, leverage is the amount of debt that is used to finance / buy company assets.

Halim (2005) suggests the effect of leverage on profitability as follows: Debt-to-total-asset ratio is a ratio that describes the level of sources of debt funds in the company's capital structure that is used to finance company assets. The use of relatively high debt will cause fixed costs in the form of interest expenses and loan principal installments that must be paid, the greater the fixed costs can result in the company's profit. Companies that finance their assets with debt, their profitability will decrease because the company must meet the expenses that must be paid from the use of the debt (interest). In addition, the company has a high financial risk because the company is funding too many assets from debt. As there is a risk of default, the company must pay more to solve this problem.

H₁: Leverage has a negative and insignificant effect on profitability.

➤ *The Effect of Sales Growth on Profitability*

Sales growth has an influence on the company's profitability, as Brigham and Houston have stated translated by Ali Akbar Yulianto (2010: 168) states that sales must cover costs so as to increase profits. From this statement it can be concluded that, sales growth can increase company profits. In addition, if the company can estimate the level of sales demand in the future and allocate debt payments, the company will get the maximum profit.

Evi Try Wulandari (2017), conducted a study entitled The effect of leverage, company size and sales growth on the profitability of automotive sub-sector companies and components on the Indonesia Stock Exchange (2011 to 2015), concluding that the leverage variable represented by LTDER has a significant negative effect on profitability of companies and investors, the variable company size partially has a significant negative effect on both company profitability (ROA) and investor profitability (ROE), the sales growth variable does not have a significant effect on company profitability. Even though it refers to the research

study, there are differences in the research years used for the study.

H₂: Sales growth has a significant effect on profitability.

➤ *The Influence of Company Size on Profitability*

With the existence of large resources, the company can invest in both current assets and fixed assets and also fulfill product demand. This will further expand market share. With the increasing sales, the company can cover the costs incurred during the production process. That way, the company's profits will increase. Bajra (2013) examines the effect of leverage, sales growth and company size on profitability in industrial and food companies on the IDX for the period 2008-2013 as secondary data obtained from the official website of the IDX and ICMD. This study shows that leverage has a negative and significant effect on profitability. Firm size has a negative and insignificant effect on profitability.

H₃: Company size has a significant effect on profitability

II. RESEARCH METHOD

The type and approach used in this research is quantitative. Quantitative research is a research based on the philosophy of positivism, namely valid science, knowledge that is built from empirical, observable, measurable, using mathematical logic and making generalizations on the average. (Hidayat and Sedarmayanti: 2002: 35). This research uses quantitative research, because this research analyzes the financial statements of automotive and component companies listed on the Indonesia Stock Exchange and interprets the results in the form of numbers, which are obtained from the sites www.icmd.co.id and www.idx.co.id. Population is all elements that have the same characteristics and characteristics. The data used in this study is secondary data by referring to the financial statements of Automotive and Component Companies for the years 2014-2018, namely 13 companies. The sample is part of the number and characteristics of the population (Sugiyono, 2009). The technique used in sampling using purposive sampling method, namely the method of determining the sample with certain considerations (Sugiyono, 2009), using the following criteria :

- Automotive and Component Companies listed on the Indonesia Stock Exchange during the study period (2014 - 2018).
- The company publishes annual financial reports in succession during the study period (2014 - 2018) and can be accessed by the public.

The data collection technique is carried out by the documentation method, namely by recording and collecting data listed on the Indonesia Stock Exchange which is accessed through the official website www.idx.co.id in the form of automotive and component company financial reports. The data used in this study are the annual financial statements of each company which is the research sample for 2014-2018 and stock prices. The operational definition

of research variables is :

1. Profitability (Y)

Profitability is the company's ability to earn profits in relation to sales, total assets, and own capital (Sartono, 2010).

$$ROA = \frac{\text{net profit after tax}}{\text{total assets}}$$

2. Leverage (X₁)

Leverage is the use of assets and sources of funds by companies that have fixed costs (fixed expenses) with the intention of increasing the potential profits of shareholders. Agus Sartono (2010).

$$DAR = \frac{\text{Total liabilities}}{\text{total assets}}$$

3. Sales Growth (X₂)

Sales growth is an increase in the number of sales from year to year or from time to time (Kennedy et al., 2013).

$$\text{Sales Growth} = \frac{\text{Current year's sales} - \text{Last year's sales}}{\text{Last year's sales}}$$

4. Company Size (X₃)

Company size is the average of total net sales for the year to several years. In this case the sales are greater than the variable costs and fixed costs, then the amount of income before tax will be obtained (Brigham and Houston, 2010).

Size it = log Total Asset it

Used to provide an overview of the factors that affect a variable, either numerically, for example calculating the average, standard deviation or graphically in the form of a table or graph. To get an overview of the data obtained as a reference to see the characteristics of the data obtained.

Stationary is a time series data condition, if the average variance and covariance of these changes are entirely unaffected by time. The method used is the Augmented Dickey Fuller (ADF) and Philips Perron (PP) method. The normality test is aimed at testing whether in the regression model, confounding or residual variables have a normal distribution or not (Ghozali, 2006: 110) in (Sansoethan and Suryono, 2016). The normality test is used to test whether a regression model, the dependent variable, the independent variable, and both have a normal distribution or not. A good regression model is normal and even distribution data. The normality test aims to test whether the regression model, confounding variables or residuals have a normal distribution or not. Normal distribution data can be seen if the Jarque-Bera probability value > 5% alpha level then the data is normally distributed, conversely if the Jarque-Bera probability value < 5% alpha level then the data is not normally distributed.

Multicollinearity test is the relationship among independent variables. Multicollinearity is a condition in which the independent variables in the regression equation have a strong correlation (relationship) with each other. One of the objectives of this test is to find out whether there is a correlation among independent variables or a relationship between one variable and another. Multicollinearity test is carried out with a classical linear regression model if it has more than one independent. The condition for not occurring multicollinearity is if the correlation value between the independent variables is < 0,8. If the correlation > 0,8 then multicollinearity occurs.

The heteroscedasticity test aims to test whether the regression model does not have similarity between the residuals from one observation to another. If the residual variance from one observation to another is constant, then it is called homoskedasticity or there is no heteroskedasticity (Ghozali, 2006: 69) in (Ichwan and Widyawati, 2015). The heteroscedasticity test was carried out by using the Glejser test to determine whether the data was evenly distributed or not, the desired heteroscedasticity did not occur or the data distribution was evenly distributed and did not form a certain pattern. You do this by looking at the white heteroscedasticity test, where the probability value Obs*R-Squared > 0,05 (alpha). Therefore the probability value Obs*R-Squared > 0,05, so there is no heteroscedasticity.

Autocorrelation test is used to see whether autocorrelation exists or not, autocorrelation is the correlation that occurs among members of a series of observations arranged in time series data. If there is autocorrelation in a model, it means that the sample variant does not describe the population variant. In such circumstances, the resulting regression model cannot be used to estimate the value of the dependent variable on certain independent variables. A good research model is that there is no autocorrelation. The detection test for autocorrelation can be seen in the Durbin-Waston table (Santoso, 2001: 218) in (Sansoethan and Suryono, 2016). b) DW numbers are between -2 to +2, meaning there is no autocorrelation, and (c) DW numbers above -2 mean there is negative autocorrelation.

Multiple linear regression analysis is a linear relationship between two or more independent variables (X₁, X₂, X_n) and variable Y. This analysis is to determine the direction of the relationship between the independent variables and the dependent variable whether each dependent variable is related positive or negative and to predict the value of the dependent variable if the value of the independent variable has increased or decreased. The data used is usually an interval or ratio scale. This study uses multiple linear regression analysis with a regression model:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Where :

Y = Profitability

- a = Constant
- b₁ = Leverage Coefficient
- x₁ = Leverage
- b₂ = Sales Growth Coefficient
- x₂ = Sales Growth
- b₃ = Company Size Coefficient
- x₃ = Company Size
- e = Standard Error

The F test is used to test the effect of the independent variables, namely Leverage, Sales Growth and Company Size together on the dependent variable, namely the profitability of a regression equation based on the probability value $\alpha = 0,05$ with the following test criteria :

- If probability > 0,05 H_a rejected, H₀ accepted
- If probability < 0,05 H_a accepted, H₀ rejected

The t test is used to test the effect of the independent variable partially on the dependent variable, namely the effect of the independent variable (Leverage, Sales Growth and Company Size) on the dependent variable, namely (Profitability) which is based on a probability value of $\alpha = 0.05$ with the following test criteria:

- If probability > 0,05 H_a rejected, H₀ accepted
- If probability < 0,05 H_a accepted, H₀ rejected
- $t_{count} < t_{table}$ then H_a rejected and H₀ accepted
- $t_{count} > t_{table}$ then H_a accepted and H₀ rejected

Suharyadi and Purwanto (2004: 514) in (Ichwan and Widyawati, 2015) state that the coefficient of determination is a measure to determine the suitability or accuracy of the relationship between the independent variable and the dependent variable in the regression equation. The coefficient of determination is used to determine the relationship between Leverage, Sales Growth and Company Size on Profitability. The coefficient of determination ranges from 0 to 1 ($0 \leq R^2 \leq 1$). This means that if $R^2 = 0$ indicates no influence between the dependent variable, if R^2 is greater on the dependent variable and if R^2 is getting smaller, it approaches 0, it can be said that the smaller the influence of the independent variable on the dependent variable.

III. RESULT

This research is supported by Eviews 9.0. Descriptive analysis test is useful for seeing the condition of the data value under study on each variable. In descriptive analysis, it can be seen that the average, highest, lowest, and standard deviation values are formed. The form of standard deviation is whether it is smaller or greater than the average value obtained by the company. If the average is higher than the standard, then the data is statistically positive, and vice versa.

Table 1. Descriptive Analysis Test Results

	Profitability	Leverage	Sales Growth	Company Size
Mean	4.832769	0.441231	-1.099231	6.671385
Median	2.320000	0.470000	2.430000	6.400000
Maximum	71.60000	0.890000	82.22000	8.520000
Minimum	-13.40000	0.080000	-68.29000	5.270000
Std. Dev.	10.55534	0.189197	18.75293	0.745958
Skewness	4.141777	0.013860	0.403269	0.732178
Kurtosis	26.10987	2.247855	9.616136	3.306269

Source: Primary Data Processing Results, 2020

The average value of the profitability variable is 4.83% with a standard deviation of 10.55% and the highest value formed is 71.60%, namely the Multi Prima Sejahtera Tbk company in 2017 and the lowest value formed is -13, 40% is the same company Multi Prima Sejahtera Tbk in 2016. The average profitability value is smaller than the standard, so the data is statistically negative but will not affect the quality of the data studied.

The average value of the leverage variable is 0.44 with a standard deviation of 0.18 and the highest value is 0.89, namely the Multi Prima Sejahtera Tbk company in 2016 and the lowest value of 0.08, namely the Multi Prima Sejahtera Tbk company in in 2018. The average value of leverage is greater than the standard deviation, so statistically the data is positive and good for further testing.

The average value of the sales growth variable is - 1.09% with a standard deviation of 18.75% and the highest value is 82.22% in the Multi Prima Sejahtera Tbk company in 2016 and the lowest value is -68.29% in the company Selamat Sempurna Tbk in 2018. The average value of sales growth is smaller than the standard deviation, so statistically the data is negative but does not affect the quality of the data to be studied.

The average value of the company size variable is 6.67 with a standard deviation of 0.74 and the highest value is 8.52, namely the Astra International Tbk company in 2018 Tbk and the lowest value of 5.27 in the Multi Prima Sejahtera Tbk company in 2014. The average company size value is greater than the standard deviation, so statistically the data is positive.

The stationary test is used for semi-time series or better known data where data changes are not influenced by time series. The test results are fulfilled if the probability value on Augmented Dickey Fuller (ADF) and Philips Perron (PP) is smaller than alpha 0,05.

Table 2. Stationary Test Results

Stationary Test	Probability	Result
ADF	0,0000	Stationary
PP	0,0000	Stationary

Source: Primary Data Processing Results, 2020

The ADF probability value is $0,000 < 0,05$, then the stationary test with the ADF method has been fulfilled. The results of the stationary test with the Philips Perron (PP) method are where the probability value formed is $0,000 < 0,05$, then the stationary test has been fulfilled or the data can be said to be telash stationary. In this study, the stationary test using both methods, namely ADF and PP, has been fulfilled. This means that the distribution of data is no longer influenced by changes in the time under study.

Table 3. Data Normality Test Results

Normality test	Probability	Result
Residuals	0,932645	Normally Distributed

Source: Primary Data Processing Results, 2020

The data normality test is used to see the normal distribution of data or normal distribution. The test used is the Jarque Berra where the probability value must be greater than alpha 0,05, so the normality test has been fulfilled or it can be said that the distribution of data formed has been normally distributed. If using regression and partial t test, the data to be tested for normality is the residual value formed. The Jarque Berra probability value is $0,93 > 0,05$, which means that the normality test is fulfilled. Then the data can be said to have been normally distributed so that it can be used for further statistical testing tools.

Table 4. Multicollinearity Test Results

Variable	Correlation	Cut Off	Result
Leverage - Sales Growth	-0,112	0,8	Not Multicollinearity
Leverage - Company Size	0,290	0,8	Not Multicollinearity
Sales Growth - Company Size	-0,189	0,8	Not Multicollinearity

Source: Primary Data Processing Results, 2020

Multicollinearity test is used to measure data correlation between independent variables. The test tool used is the correlation matrix, where the correlation value that is formed must be smaller than 0,8.

The correlation value of leverage-sales growth is $-0,112 < 0,8$, so there is no multicollinearity. The leverage-size correlation value is $0,29 < 0,8$, so there is no multicollinearity. The correlation value of sales growth-company size is $-0,189 < 0,8$, so there is no multicollinearity. From this analysis it can be explained again that all data in this variable have passed the multicollinearity assumption or in other words there is no form of multicollinearity.

Table 5. Heteroscedasticity Test Results

Heteroskedasticity Test: Glejser			
F-statistic	2.115083	Prob. F(3,27)	0.1217
Obs*R-squared	5.898973	Prob. Chi-Square(3)	0.1166
Scaled explained SS	5.356479	Prob. Chi-Square(3)	0.1475

Source: Primary Data Processing Results, 2020

The heteroscedasticity test is used to see the diversity of variants in the data under study. The test tool used is the Glejser test where the probability value must be greater than alpha 0.05, it can be said that there is no heteroscedasticity. The probability value Obs*R-squared is $0,1166 > 0,05$, so it can be said that there is no heteroscedasticity. In other words, the data in this study did not occur symptoms of heteroscedasticity or the heteroscedasticity test had been fulfilled.

Table 6. Autocorrelation Test Results

Autocorrelation Test	Score	Result
Durbin Watson	0,6418	No Autocorrelation

Source: Primary Data Processing Results, 2020

The autocorrelation test is used to see the correlation of data between the independent variable and the dependent variable if the data used is in the form of a time series. The autocorrelation test in this study uses the Durbin Watson test where the DW value is between -2 to +2, so the autocorrelation test has been fulfilled. The DW value of 0,64 is between -2 to +2, so the autocorrelation test has been fulfilled. In other words, there is no autocorrelation in this form of research so that the data can be used in further statistical tests.

Multiple linear regression test is used to see changes in the value of the dependent variable when faced with the independent variable. The formula in multiple linear regression is:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

The equation that can be formed from the results of statistical tests is:

$$Y = 0,250 - 6,500X_1 + 1,873X_2 - 0,494X_3$$

Table 7. Multiple Linear Regression Test Results

Dependent Variable: Profitability				
Method: Least Squares				
Date: 10/8/20 Time: 10:44				
Sample (adjusted): 1 65				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Leverage	-6.500223	1.412945	4.600479	0.0001
Sales Growth	1.873697	0.822788	0.089299	0.8221
Company Size	-0.494830	1.365423	0.362400	0.7199
C	0.250371	2.122525	0.117959	0.9070
R-squared	0.499273	Mean dependent var		2.868710
Adjusted R-squared	0.443637	Durbin-Watson stat		0.641824
S.E. of regression	3.836666			
Sum squared resid	397.4401			
F-statistic	8.973865			
Prob(F-statistic)	0.000274			

Source: Primary Data Processing Results, 2020

The constant value formed is 0,250 with a positive sign where if the independent data (leverage, sales growth, and company size) is constant (constant) or zero, profitability has increased by 0,25%. The leverage regression coefficient is -6,500 with a negative sign. The relationship formed is in the opposite direction, which means that if the leverage increases, the profitability value will decrease. The regression coefficient value of sales growth is 1,873 with a positive sign. The relationships formed are unidirectional, which means that if sales growth increases, profitability will also increase. The regression coefficient value of the company size is -0,494 with a negative sign. The relationship formed is in the opposite direction, meaning that if the size of the company increases, profitability decreases.

The determinant coefficient test is a test that describes how strong the independent variable is in explaining its correlation with the dependent variable. Based on table 7, the adjusted R square value that is formed is 0,4992. This means that the ability of the leverage variable, sales growth, and overall company size to affect profitability is 49,92% while the remaining 50,08% is influenced by other variables not from the variables examined in this study such as the debt ratio.

The simultaneous F test is used to see whether or not there is an influence between the independent variable on the dependent variable simultaneously (simultaneously). Simultaneous F test is formed with the criteria if the probability value < alpha 0,05 then the independent variable simultaneously affects the dependent variable. Based on table 7, it is explained that the probability value is 0,0002 < 0,05, then H_a is accepted and H_o is rejected. It can be concluded that the independent variables consisting of leverage, sales growth, and company size have an effect

simultaneously (simultaneously) on the dependent variable consisting of profitability.

Partial t test is intended to be able to see the effect of the independent variable on the dependent variable partially or one by one. The partial t test is fulfilled if the probability value is < alpha 0,05, it can be said that there is an influence between the independent variables (leverage, sales growth, and company size) on the dependent variable (profitability). The results of the partial t test in this study which are based on table 7 are:

- I. The probability value for the leverage variable is equal to 0,0001 < 0,05 and the value of tcount > ttable (4,600 > 1,668) then H_a is accepted and H_o is rejected. This means that the leverage variable has a negative and significant effect on company profitability.
- II. The probability value for sales growth is 0,8221 > 0,05 and the value of tcount < ttable (0,0892 < 1,668) then H_a is accepted and H_o is rejected. This means that the sales growth variable does not have a significant effect on company profitability.

The probability value for the firm size variable is 0,719 > 0,05 and the tcount < ttable (0,03654 < 1,668) then H_a is rejected and H_o is accepted. This means that the company size variable does not have a significant effect on company profitability.

IV. DISCUSSION

➤ The Effect of Leverage on Company Profitability

The first hypothesis in this study is that there is a significant influence between leverage on company profitability. Based on multiple linear regression analysis where if the leverage increases, the profitability will decrease. This result is in accordance with the partial t test where the probability value is 0,0001 < 0,05, the conclusion is that leverage has a negative and significant effect on profitability where each increase in leverage will result in a decrease in profitability.

The relationship that is formed is negative because leverage is a ratio that describes the use of debt in financing company investment. The investment in question is the use of company assets. The leverage value explains the proportion of the level of company funds in paying fixed expenses. If the leverage ratio increases, the use of company assets will be ineffective because they are used to cover the fixed expenses (liabilities) of the company so that it will decrease the company's profit (profitability).

The development of leverage is 0,44, which explains that the company's debt is mostly funded through company assets so that it will reduce the profit earned (profitability). This is what causes leverage to have a negative relationship with company profitability.

The results of this study support the results of previous research conducted by Bajra (2015) which concluded that there is a negative influence between leverage on company

profitability. Research also conducted by Nugroho (2011) also concluded the same thing where leverage has a negative effect on company profitability.

➤ *The Effect of Sales Growth on Company Profitability*

The second hypothesis in this study is where there is a significant influence between sales growth on profitability. Based on the multiple linear regression test, it can be explained that if sales growth increases, profitability will also increase. This is in line with the partial t test conducted where the probability value of the partial t test for sales growth is $0,8221 > 0,05$, which can be concluded that sales growth has no significant effect on profitability.

Sales growth is a basic aspect in achieving company goals, namely generating profits. The relationship that is formed is positive even though it has no influence. In theory, the basic indicator in forming company profits lies in how much sales the company generates during one accounting period and how small the costs generated by the company in supporting sales. If sales increase at fixed costs or decrease, then profits will also increase. If sales decrease with increasing costs it will reduce profits or will create losses.

The absence of an effect of sales growth occurs because the average growth rate is only 1,09%, this is something that is normal and relatively very small so it does not affect company profits. With a relatively small growth with a high profitability ratio, profit growth will not be able to affect profitability because the level of profitability will be dominated by debt. Then sales growth has no effect on profitability.

The results of this study are supported by previous research conducted by Nugroho (2011) which concluded that there was no (insignificant) effect between sales growth on company profitability. Research also conducted by Wulandari (2017) which concluded that there is no influence (not significant) between sales growth on company profitability.

➤ *The Effect of Company Size on Company Profitability*

The third hypothesis in this study is where there is an influence between company size on profitability. The results of the multiple linear regression test explain that if the size of the company increases, the profitability will decrease. However, this is not in line with the partial t test where the probability value of the partial t test is $0,7199 > 0,05$, it can be concluded that company size has no effect on profitability.

The relationship that is formed is negative, where the higher the size of the company, the lower its profitability. In theory, if the size of the company as proxied on its asset value increases to a reasonable limit, it will not affect company profits because the cost of increasing asset value can be overcome through profit. However, if the proxied asset value increases with an unreasonable limit, it will affect profit where profit will decrease, because of the

increased costs the company must incur in maintaining new assets.

The absence of influence between company size on profitability occurs because the average growth in company size is only 6,67%, which is relatively low. Company size describes the position of company assets. Changes in company assets are relatively stable so that they do not interfere with the company's profitability so that the size of the company does not affect the level of company profitability.

The results of this study support the results of previous research conducted by Bajra (2015) which concluded that there was no (insignificant) effect between company size on company profitability. Research also conducted by Wulandari (2017) concluded that there was no (insignificant) influence between company size on company profitability.

V. CONCLUSION

After a series of statistical tests was carried out, the conclusions in this study were obtained, namely :

1. Based on the partial t test where the probability value of leverage is $0,0001 < 0,05$, it can be concluded that leverage has a negative and significant effect on company profitability.
2. Based on the partial t test where the probability value of sales growth is $0,8221 > 0,05$, it can be concluded that sales growth has no effect on company profitability.
3. Based on the partial t test where the probability value of company size is $0,7199 > 0,05$, it can be concluded that company size has no effect on company profitability.

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