

LIQUIDITY, LEVERAGE, AND COMPANY SIZE AS PREDICTORS OF PROFITABILITY IN LQ-45 NON-FINANCIAL COMPANIES ON IDX INDONESIA

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Abstract

This study aims to examine the influence of liquidity, leverage, and company size as predictors of profitability in non-financial companies listed in the LQ-45 Index on the Indonesia Stock Exchange (IDX) for the 2020–2024 period. The research population amounted to 45 companies, and through purposive sampling techniques, 17 companies were obtained with a total of 85 observation units. Independent variables used include liquidity proxied by Current Ratio (CR), leverage proxied by Debt to Asset Ratio (DAR), and company size measured using the natural logarithm of total assets. Profitability as a dependent variable is measured using Return on Asset (ROA). The analysis method used was multiple linear regression with the help of SPSS 27 software. The results of the study partially show that liquidity does not have a significant effect on profitability, leverage does not have a significant effect on profitability, while company size has a negative and significant effect on profitability. Simultaneously, liquidity, leverage, and company size had a significant effect on profitability with an F value of 6.564 and an R Square value of 0.198. These findings suggest that in large-scale companies in the LQ-45 Index, an increase in asset scale is not always directly proportional to an increase in profitability.

Keywords: Current Ratio, Debt to Asset Ratio, Company Size, Return on Asset, LQ-45

1. Introduction

The company was established with the aim of making a profit and maintaining business continuity in the long term. However, the dynamics of the economy that continue to develop encourage competition between companies to be more intense, so companies are required to continue to improve their financial performance in order to be able to survive and compete competitively (Shalini et al., 2022). In increasingly dynamic competitive conditions, a company's ability to survive is highly dependent on how optimally the company is able to manage all its resources to generate added value for its stakeholders (Aritonang et al., 2025).

Profitability is the ability of a company to generate profits from its operational activities during a certain period (Sarai & Amin, 2023). Profitability is a major concern for various stakeholders, ranging from investors, creditors, to company management, because it reflects the effectiveness and efficiency of the management of assets and capital owned by the company (Azizah & Asrori, 2022). A high level of profitability indicates that the company is able to manage its operations efficiently so as to generate optimal profits for shareholders; on the other hand, low profitability indicates that there are problems in the company's financial management that need to be fixed immediately (Aritonang et al., 2025). This condition shows that the company's profitability is the result of financial management carried out thoroughly in the company's operational activities (Anisa & Febyansyah, 2024; Febriana & Manda, 2026; Murti et al., 2026). In this study,

profitability was measured using Return on Asset (ROA), which is a ratio that describes a company's ability to generate net profit from all assets owned (Sarai & Amin, 2023).

An interesting phenomenon occurred in non-financial companies that are members of the LQ-45 index on the Indonesia Stock Exchange (IDX). The LQ-45 index is an index that contains 45 companies with the highest transaction liquidity and the largest market capitalization on the IDX, so the companies in this index should have good and stable financial performance (Purnama & Sembiring, 2025). However, Purnama and Sembiring (2025) noted that there has been a decline in the value of companies, including the company's profitability in the LQ-45 index in 2020, 2022, and 2023, which indicates that the size of the company's assets and funding structure are not always directly proportional to the level of profitability generated. This condition shows that the profitability of non-financial companies LQ-45 is influenced by various financial factors that need to be studied more deeply.

One of the factors that is suspected to affect profitability is liquidity. Liquidity is a ratio used to measure a company's ability to meet its short-term obligations by utilizing available current assets (Shalini et al., 2022). Companies that have a good level of liquidity are considered to be able to maintain the continuity of daily operations without financial barriers, so that it can support the achievement of optimal profits. On the other hand, liquidity that is too high can reflect the existence of current assets that are not utilized optimally, thereby reducing the company's operational efficiency (Sarai & Amin, 2023). In this study, liquidity is proxied by Current Ratio (CR) which is calculated from the comparison between the current assets and the company's current liabilities (Angelina et al., 2020). Previous research has shown inconsistent results regarding the effect of liquidity on profitability. Shalini et al. (2022) and Sarai and Amin (2023) found that liquidity has a positive and significant effect on profitability in Consumer Goods companies and the palm oil sub-sector listed on the IDX, but on the other hand Angelina et al. (2020) and Julietha and Natsir (2021) actually showed that liquidity does not have a significant effect on the profitability of Food & Beverages companies as well as companies listed on the IDX. The difference in the results of the study is the basis for the need to re-test the effect of liquidity on profitability in different contexts.

In addition to liquidity, another factor that also affects profitability is leverage. Leverage is a ratio used to measure the extent to which a company's assets are financed by debt, meaning how much of the company's debt burden is borne compared to its assets (Shalini et al., 2022). The proper use of debt can improve a company's ability to generate profits because the company can utilize external funds to expand its operational capacity. However, excessive use of debt can actually increase interest expenses and financial risks which ultimately lead to a decline in the company's profitability (Azizah & Asrori, 2022). In this study, leverage is proxied with Debt to Asset Ratio (DAR) which is a comparison between total liabilities and total company assets. Previous research on the effect of leverage on profitability has shown obvious inconsistencies. Susilawati and Purnomo (2023) and Sarai and Amin (2023) prove that leverage has a significant effect on profitability in cement companies and palm oil sub-sectors listed on the IDX, while Shalini et al. (2022) and Angelina et al. (2020) instead found that leverage had no significant effect on the profitability of Consumer Goods or Food & Beverages companies on the IDX. These differences in results indicate that the effect of leverage on profitability is contextual and needs to be tested further.

The third factor that is also suspected to affect profitability is the size of the company. Company size is a scale that reflects the size of a company which can be seen from total

assets, number of sales, and average total assets owned (Aritonang et al., 2025). Companies with larger scales generally have easier access to funding sources, broader diversification capabilities, and higher operational efficiency, resulting in the opportunity to generate more optimal profitability (Azizah & Asrori, 2022). In addition, large companies tend to be better known by the public so that it is easier to gain the trust of investors and creditors to support their operational activities (Sarai & Amin, 2023). In this study, the size of the company is proxied with the natural logarithm of total assets. However, previous research has shown inconsistent results regarding the influence of company size on profitability. Sarai and Amin (2023) and Julietha and Natsir (2021) prove that the size of the company has a positive and significant effect on profitability in palm oil sub-sector companies and companies listed on the IDX, while Aritonang et al. (2025) and Azizah and Asrori (2022) in fact found that the size of the company did not have a significant effect on the company's financial performance on the IDX. The difference in the results of the study reinforces the need to re-test the influence of company size on profitability.

The urgency of this research is underscored by the persistent inconsistency in previous findings regarding the determinants of profitability. Without a comprehensive understanding of how liquidity, leverage, and company size influence profitability, efforts by company management to optimize financial performance and by investors to make informed investment decisions may remain unfocused and ineffective. The LQ-45 index, which represents companies with the highest transaction liquidity and largest market capitalization, provides a relevant context for this investigation, as the declining profitability trends observed in this group of companies warrant focused investigation. The mixed empirical evidence from prior studies indicates that the influence of liquidity, leverage, and company size on profitability is still contextual and influenced by industry characteristics, the research period, and the underlying economic conditions (Cyntara & Apriwandi, 2025).

Based on the description above, this study aims to re-examine the influence of liquidity, leverage, and company size on profitability, by taking the object of research on non-financial companies listed in the LQ-45 index on the Indonesia Stock Exchange for the 2020–2024 period. Specifically, the research seeks to test the effects of Current Ratio, Debt to Asset Ratio, and company size on Return on Assets (ROA). By addressing these three factors simultaneously, the study aims to provide a more comprehensive understanding of profitability determinants in the Indonesian capital market context and to offer clarity on the conflicting findings from previous studies.

The findings of this research are expected to provide both theoretical and practical contributions. Theoretically, the study contributes to the literature on financial management by providing empirical evidence on the determinants of profitability in non-financial companies in an emerging market context. Practically, the results offer actionable insights for company management in making financing and operational decisions, for investors in assessing potential returns, and for regulators in monitoring financial stability. By achieving these objectives, the study aims to contribute to the enhancement of corporate financial performance and the stability of the Indonesian capital market. The article is organized as follows. The next section discusses the theoretical background and hypothesis development, followed by the research methods. The results and discussion are then presented, and the final section concludes the study.

2. Theoretical Background

2.1 Signaling Theory

Signaling Theory was first proposed by Michael Spence in 1973. This theory explains how corporations convey future prospects to investors, particularly those related to corporate financial management (Nabilah et al., 2023). In the context of profitability, Signaling Theory states that management will send positive signals when the company's financial situation is stable and its prospects are favorable. This emphasizes the significance of clearly disclosing financial information such as profitability, liquidity, leverage, and company size. This information is essential for maintaining stakeholder confidence and attracting investment.

Signaling Theory provides the foundation for understanding how financial performance indicators serve as signals to external parties, including investors, creditors, and regulators. When a company demonstrates strong financial performance through high profitability, adequate liquidity, manageable leverage, and optimal company size, it sends positive signals that reduce information asymmetry and enhance stakeholder trust. Conversely, weak financial performance signals potential problems and increases the risk of adverse stakeholder reactions (Ross, 1977; Brigham & Houston, 2019).

2.2 Profitability

Profitability is defined as the capacity to generate profits from operational activities (Nirawati et al., 2022). These operational activities include product or service sales, cash inflows and outflows, and the utilization of capital or equity. Companies commonly use Return on Assets (ROA) to measure profitability. A high ROA indicates that the company's performance is considered solid, thereby enhancing the company's ability to generate returns and attract investors (Erawati, Shenurti, & Nur Kholifah, 2022).

In the context of Signaling Theory, profitability serves as a positive signal to external stakeholders. High profitability indicates that the company is efficiently utilizing its assets to generate returns, which enhances investor confidence and creditor trust. Companies with strong profitability are better positioned to meet their financial obligations and are perceived as having lower financial risk (Sarai & Amin, 2023; Azizah & Asrori, 2022).

2.3 Liquidity

Liquidity is defined as the ability to fulfill short-term payment commitments within a certain time period (Alifian & Susilo, 2024). The Current Ratio is commonly used to assess a company's liquidity. A high Current Ratio reflects the company's success in managing short-term obligations and reduces the risk of financial crisis (Ramaadhianti et al., 2023). Companies with adequate liquidity are able to maintain operational continuity and avoid financial distress, which can support profitability.

From the perspective of Signaling Theory, liquidity provides an important signal to investors, creditors, and other external parties regarding a company's financial soundness. High liquidity demonstrates the company's ability to manage short-term finances and assets effectively, signaling financial stability. Conversely, low liquidity signals potential financial problems and may indicate an increased risk of operational disruption (Shalini et al., 2022; Sarai & Amin, 2023).

2.4 Leverage

Leverage is utilized to fund assets necessary for a company's operations (Setiowati et al., 2023). The Debt to Asset Ratio (DAR) is commonly used to measure debt levels. A

high DAR signals poor corporate performance and raises the risk of financial distress (Distian & Hermawan, 2023). The proper use of debt can improve a company's ability to generate profits by utilizing external funds to expand operational capacity. However, excessive use of debt increases interest expenses and financial risks, ultimately leading to a decline in profitability (Azizah & Asrori, 2022).

In Signaling Theory, leverage serves as a critical indicator of a company's financial health and stability. High leverage is perceived as a negative signal indicating excessive dependence on debt financing, which increases financial strain and the risk of payment difficulties. In contrast, a low debt-to-equity ratio implies a sound capital structure and signals that the firm is better able to meet its financial commitments (Shalini et al., 2022).

2.5 Company Size

Company size reflects the scale of a company, typically measured by total assets, sales, or market capitalization (Aritonang et al., 2025). Larger companies generally have easier access to capital markets, broader diversification capabilities, and greater operational efficiency, which can lead to higher profitability (Azizah & Asrori, 2022). Additionally, larger companies tend to benefit from economies of scale, which can reduce average costs and improve profit margins (Sarai & Amin, 2023). In this study, company size is proxied with the natural logarithm of total assets.

Within the Signaling Theory framework, company size may be viewed as a signal that a firm sends to investors, creditors, and other third parties. Larger companies often signal stability, credibility, and access to resources, which enhance external stakeholders' trust in the company's financial stability and growth prospects (Julietha & Natsir, 2021).

2.6 Hypothesis Development

2.6.1 The Effect of Liquidity on Profitability

According to Signaling Theory, a company's liquidity is an important source of information for investors, creditors, and other external parties when assessing its financial soundness. High liquidity demonstrates the company's ability to manage short-term finances and assets effectively, while low liquidity signals potential financial problems. Companies with adequate liquidity are considered able to maintain operational continuity without financial barriers, supporting the achievement of optimal profits.

Previous research indicates that liquidity generally has a positive effect on profitability. Shalini et al. (2022) and Sarai and Amin (2023) found that liquidity has a positive and significant effect on profitability in Consumer Goods companies and palm oil sub-sector companies listed on the IDX. However, Angelina et al. (2020) and Julietha and Natsir (2021) found that liquidity does not have a significant effect on the profitability of Food & Beverages companies and other companies listed on the IDX, indicating the need for further investigation.

H₁: Liquidity has a positive effect on profitability.

2.6.2 The Effect of Leverage on Profitability

According to Signaling Theory, a company's leverage is an important indicator for investors, creditors, and other external parties when assessing financial health and stability. High leverage is a negative signal indicating excessive dependence on debt financing, which increases financial strain and interest expenses. In contrast, a low debt-to-equity ratio implies a sound capital structure and signals that the firm is better able to generate profits.

Previous research on leverage and profitability has shown inconsistent results. Susilawati and Purnomo (2023) and Sarai and Amin (2023) found that leverage has a significant effect on profitability in cement companies and palm oil sub-sectors listed on the IDX. However, Shalini et al. (2022) and Angelina et al. (2020) found that leverage has no significant effect on the profitability of Consumer Goods and Food & Beverages companies on the IDX, indicating that the relationship may be contextual.

H₂: Leverage has a negative effect on profitability.

2.6.3 The Effect of Company Size on Profitability

In Signaling Theory, company size may be viewed as a signal that a firm sends to investors, creditors, and other third parties. Larger companies often signal stability, credibility, and access to resources, which enhance external stakeholders' trust in the company's financial stability and growth prospects. Companies with larger scales generally have easier access to funding sources, broader diversification capabilities, and higher operational efficiency, resulting in the opportunity to generate more optimal profitability.

Previous research on company size and profitability has shown mixed results. Sarai and Amin (2023) and Julietha and Natsir (2021) found that company size has a positive and significant effect on profitability in palm oil sub-sector companies and companies listed on the IDX. However, Aritonang et al. (2025) and Azizah and Asrori (2022) found that company size does not have a significant effect on financial performance on the IDX, indicating the need for further investigation.

H₃: Company size has a positive effect on profitability.

3. Methods

3.1 Research Design

This study employs a quantitative approach with a causal-explanatory research design. The quantitative approach was chosen because this study aims to examine the influence of independent variables (liquidity, leverage, and company size) on the dependent variable (profitability) through statistical analysis. The causal-explanatory design is appropriate for testing the hypothesized relationships between variables and determining the cause-and-effect relationships among them (Sugiyono, 2019).

3.2 Population and Sample

The population of this research is non-financial companies consistently listed in the LQ-45 Index on the Indonesia Stock Exchange (IDX) throughout the 2020–2024 period. The population in this study consists of all non-financial companies that are consistently listed in the IDX LQ-45 Index during the 2020–2024 period, totaling 45 companies.

The sampling technique used is purposive sampling, which is a technique of determining samples based on specific criteria adjusted to the research objectives (Sugiyono, 2019). The sample criteria in this study include:

- 1) Non-financial companies consistently listed in the LQ-45 Index on the IDX during the 2020–2024 period.
- 2) Companies that consistently published annual financial statements during the research period.
- 3) Companies that have complete data related to all research variables.

Based on these criteria, the number of samples obtained is presented in Table 1.

Table 1. Research Sample Data

Remarks	Quantity
Population: Companies that are members of the LQ-45 Index on the Indonesia Stock Exchange (IDX) for the entire period 2020–2024	45
Financial sector companies	(4)
Inconsistent companies entered LQ45 during the study period	(22)
Number of research samples	17
Number of research observations (17 × 5)	85

Source: Processed Data (2026)

3.3 Data Collection Techniques

The data used in this study is secondary data obtained from the annual financial statements of companies listed on the Indonesia Stock Exchange (IDX) and the official website of each company. The data collection procedure involves the following stages:

- 1) Identifying non-financial companies consistently listed in the LQ-45 Index on the IDX during the 2020–2024 period.
- 2) Selecting companies that meet the purposive sampling criteria.
- 3) Collecting annual financial statement data from the IDX official website (www.idx.co.id) and company websites.
- 4) Compiling the data into a structured format for analysis.

3.4 Operational Definitions of Research Variables

The operational definitions of the variables used in this study are presented in Table 2.

Table 2. Operational Definitions of Research Variables

Variable	Type	Measurement	Formula	Scale
Liquidity (X_1)	Independent	Current Ratio (CR)	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	Ratio
Leverage (X_2)	Independent	Debt to Asset Ratio (DAR)	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$	Ratio
Company Size (X_3)	Independent	Firm Size	$\ln(\text{Total Assets})$	Ratio
Profitability (Y)	Dependent	Return on Assets (ROA)	$\frac{\text{Net Income}}{\text{Total Assets}} \times 100\%$	Ratio

Source: Processed by the Researcher (2026)

3.5 Data Analysis Techniques

The data analysis techniques used in this study include descriptive statistical analysis, classical assumption tests, and multiple linear regression analysis. Before conducting multiple linear regression, classical assumption tests are performed to ensure the model meets the required assumptions. After the classical assumptions are met, multiple linear regression is conducted to examine the influence of liquidity, leverage, and company size on profitability using the model:

$$ROA = \alpha + \beta_1 CR + \beta_2 DAR + \beta_3 SIZE + \varepsilon$$

Where:

ROA = Return on Assets (Profitability)

α = Constant
 $\beta_1, \beta_2, \beta_3$ = Regression coefficients
CR = Current Ratio (Liquidity)
DAR = Debt to Asset Ratio (Leverage)
SIZE = Company Size
 ε = Error term

Hypothesis testing is conducted through partial tests (t-test) and simultaneous tests (F-test), with the hypothesis accepted if the significance value is less than 0.05. The coefficient of determination (R^2) is used to measure the extent to which the independent variables explain the variation in the dependent variable (Ghozali, 2018). Descriptive statistical analysis includes the calculation of the mean, minimum value, and maximum value of each research variable to provide an overview of the data distribution and characteristics. The selection of this method is based on previous relevant research, such as Sustiyatik and Jauhari (2021) that uses a similar approach in analyzing the factors that affect a company's profitability.

4. Results and Discussion

4.1 Descriptive Statistics

Table 2 presents the results of descriptive analysis of data that has gone through the transformation process. The transformation was carried out because in the early stages of the analysis it was found that there were a number of extreme values (outliers) and abnormal data distribution. Therefore, logarithmic (ln) and winsorize transformations are carried out to reduce the influence of extreme values so that the data becomes more stable.

Table 3. Descriptive Analysis Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation
LN ROA WIN	84	-2.70	-1.10	-2.0878	0.45693
Liquidity	84	0.182	4.908	1.93183	1.084133
Leverage	84	0.146	0.866	0.42308	0.167605
Size	84	16.591	19.974	18.11483	0.908858
Valid N (listwise)	84				

Source: SPSS Statistics 27 Output (Data processed, 2026)

The descriptive statistical analysis in this study is based on 84 observations that have been collected. The financial performance variable proxied with LN_ROA_WIN after going through the winsorize process obtained the lowest value of -2.70 and the highest value of -1.10, with an average of -2.0878 and a standard deviation of 0.45693.

The liquidity variable shows a minimum value of 0.182 and a maximum value of 4.908. The average of this variable is 1.93183 with a standard deviation of 1.084133. The leverage variable has a value range between 0.146 to 0.866, with an average of 0.42308 and a standard deviation of 0.167605.

The company size variable has a minimum value of 16.591 and a maximum value of 19.974. The average company size in this study sample is 18.11483, with a standard deviation of 0.908858.

4.2 Multicollinearity Test

Multicollinearity testing showed that all independent variables produced a Variance Inflation Factor (VIF) value below 10 and a tolerance value that exceeded 0.1. This

condition indicates the absence of multicollinearity problems among independent variables in the regression model used.

Table 4. Multicollinearity Test Results

Model	Collinearity Tolerance	VIF
(Constant)		
Liquidity	0.463	2.162
Leverage	0.473	2.116
Size	0.961	1.041

Source: SPSS Statistics 27 Output (Data processed, 2026)

4.3 Heteroscedasticity Test

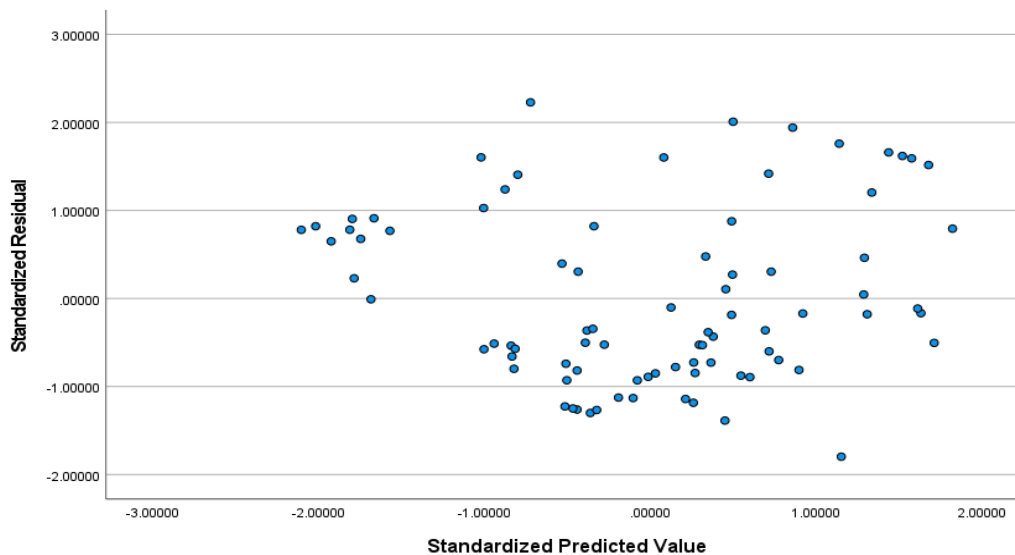


Figure 1. Heteroscedasticity Test Results (Scatterplot)

Source: SPSS Statistics 27 Output (Data processed, 2026)

Based on observations of scatterplot charts, residual points appear to be scattered randomly without forming a systematic pattern. This indicates that the regression model is free from heteroscedasticity problems.

4.4 Autocorrelation Test

Table 5. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Durbin-Watson
1	0.444	0.198	0.167	0.695

Source: SPSS Statistics 27 Output (Data processed, 2026)

The results of the Durbin-Watson test resulted in a value of 0.695. This value is below the limit of 1.5, indicating the presence of autocorrelation symptoms in the regression model. Nevertheless, this research is still continued because the data used is company data that is not completely pure time series.

4.5 Hypothesis Testing

4.5.1 Statistical Test F (Simultaneous)

Table 6. F Test Results

Model	F	Sig.
1	6.564	<0.001

Source: SPSS Statistics 27 Output (Data processed, 2026)

Based on Table 6, an F value of 6.564 was obtained with a significance of <0.001 . Since the significance value is smaller than the probability value of 0.05 or ($<0.001 < 0.05$), it is concluded that H_0 is rejected. This means that the independent variables of liquidity, leverage, and company size simultaneously have a significant effect on profitability (ROA).

4.5.2 Statistical Test T (Partial)

Table 7. T Test Results

Model	t	Sig.
(Constant)	1.183	0.240
Liquidity	1.482	0.142
Leverage	1.147	0.255
Size	-3.898	<0.001

Source: SPSS Statistics 27 Output (Data processed, 2026)

Based on the results of the T test in Table 7, it is known that the liquidity variable has a calculated t-value of 1.482 with a significance level of 0.142. Since the significance value is greater than 0.05 ($0.142 > 0.05$) it can be concluded that the H_0 hypothesis is accepted and H_1 is rejected. This means that liquidity does not have a significant effect on profitability, where the high or low current ratio does not have a significant impact on the company's ability to generate profits from its assets.

Furthermore, the leverage variable has a t-value of 1.147 and a significance value of 0.255. Since the significance value is greater than 0.05 ($0.255 > 0.05$) it can be concluded that the H_0 hypothesis is accepted and H_2 is rejected. Thus, leverage has no significant effect on profitability, which indicates that the use of debt as a source of funding is not always able to encourage an increase in the company's ability to generate profits.

Meanwhile, the company size variable has a t-value of -3.898 with a significance value of <0.001 . Since the significance value is smaller than 0.05 ($<0.001 < 0.05$), it can be concluded that the H_0 hypothesis is rejected. However, the direction of the resulting coefficient is negative so H_3 is rejected because the research hypothesis suspects a positive influence. Thus, the size of the company has a negative and significant effect on profitability, where the larger the size of the company, the level of profitability of the company tends to decrease.

4.6.3 Coefficient of Determination Test

Table 8. Coefficient of Determination Test Results

R Square	Adjusted R Square
0.198	0.167

Source: SPSS Statistics 27 Output (Data processed, 2026)

Based on Table 8, it shows that the R Square value is 0.198 which means that the dependent variable of profitability (ROA) can be explained by independent variables, namely liquidity, leverage, and company size of 19.8%, while 80.2% is influenced by other variables outside this study.

4.7 Discussion

4.7.1 The Simultaneous Influence of Liquidity, Leverage, and Company Size on Profitability

Based on the results of the ANOVA test, a significance value of <0.001 (<0.05) and an F value of 6.564 were obtained, which shows that liquidity, leverage, and company

size simultaneously have a significant effect on profitability. This means that these three variables simultaneously have a significant effect on the profitability of non-financial companies LQ-45 on the IDX during the 2020–2024 period.

These results reflect that although not all variables are partially significant, the combination of all three provides a more comprehensive picture of the company's financial performance. In the LQ-45 group of non-financial companies that have large asset scales and diverse funding structures, the three variables—liquidity (current ratio), leverage (debt to asset ratio), and the size of the company—complement each other in influencing the profitability that the company produces. These results are in line with previous research that showed that liquidity, leverage, and company size simultaneously play a role in influencing a company's profitability, although the influence of each variable can vary depending on the company's condition and industry sector (Ilham et al., 2021; Jessica & Sopian, 2025; Murti et al., 2026; Setiawati & Hendrani, 2024).

4.7.2 The Effect of Liquidity on Profitability

The liquidity variable has a significance value of $0.142 > 0.05$ and a coefficient of 0.092. This shows that liquidity does not have a significant effect on profitability. This means that the high or low current ratio does not have a significant impact on the company's ability to generate profits from all assets owned. Thus, H_1 was rejected because the results of the study did not support the hypothesis proposed.

These findings show that the high availability of current assets is not necessarily optimally utilized in supporting profit-generating operational activities. Based on descriptive data, the average liquidity of companies in the sample is 1.93183 with a minimum value of 0.182 which reflects a considerable variation in liquidity conditions between companies in the LQ-45 index.

The results of this study are in line with the findings of Angelina et al. (2020) and Julietha and Natsir (2021) which states that liquidity has no significant effect on profitability. However, these results are different from the research conducted by Shalini et al. (2022) and Sarai and Amin (2023) which found that liquidity has a positive and significant effect on profitability. The difference in results can be caused by differences in the characteristics of the industrial sector and the economic conditions behind each study (Berliana et al., 2022; Fajar et al., 2025; Naibaho & Natasya, 2023; Nugrahani & Aaron, 2025).

4.7.3 The Effect of Leverage on Profitability

The leverage variable has a significance value of $0.255 > 0.05$ and a coefficient of 0.456. This shows that leverage has no significant effect on profitability. This means that the large proportion of debt to the company's total assets has not been statistically proven to have a significant impact on the level of profitability generated. Thus, H_2 was rejected because the results of the study did not support the hypothesis proposed.

These findings indicate that the use of debt as a source of funding is not always able to encourage an increase in the profitability of companies. Based on descriptive data, the average leverage of companies in the sample is 0.42308 with a maximum value of 0.866, reflecting variations in the level of debt use between companies. This indicates that there are companies that use debt in a relatively high proportion, while other companies tend to use debt in a lower proportion. These variations reflect the differences in funding policies applied by each company in managing its capital structure.

The results of this study are in line with the findings of Shalini et al. (2022) and Angelina et al. (2020) which concludes that leverage has no significant effect on profitability. However, these results are inconsistent with research by Susilawati and Purnomo (2023) and Sarai and Amin (2023) which proves that leverage has a significant effect on profitability. These differences in findings indicate that the influence of leverage on profitability is contextual and influenced by industry characteristics and economic conditions in the respective study periods.

4.7.4 The Effect of Company Size on Profitability

The company size variable has a significance value of $<0.001 < 0.05$ and a coefficient of -0.200. This shows that the size of the company has a negative and significant effect on profitability. This means that the larger the scale of the company as measured by the natural logarithm of total assets, the company's profitability tends to decrease. Thus, H_3 was rejected because the direction of influence found was contrary to the hypothesis proposed.

The resulting negative coefficient shows that companies with a larger scale tend to have a lower level of profitability. This indicates that an increase in the company's scale is not always followed by an increase in profit-making capabilities. Based on descriptive data, the average size of the company in the sample was 18.11483 with a value range between 16.591 and 19.974, reflecting a fairly wide variation in the size of the company in the LQ-45 group.

The results of this study are not in line with the findings of Sarai and Amin (2023) and Julietha and Natsir (2021) which states that the size of the company has a positive and significant effect on profitability. Nevertheless, these results are consistent with research by Aritonang et al. (2025) and Azizah and Asrori (2022) which found that the size of the company did not always correlate positively with the company's financial performance. This difference in the direction of influence confirms that the relationship between company size and profitability is contextual and highly dependent on the characteristics of the industry and the efficiency of the company's asset management.

5. Conclusion

Based on the results of research and discussions of non-financial companies that are consistently listed in the LQ-45 Index on the Indonesia Stock Exchange for the 2020–2024 period, it can be concluded that liquidity does not have a significant effect on profitability, leverage does not have a significant effect on profitability, while company size has a negative and significant effect on profitability in the company. Simultaneously, liquidity, leverage, and company size have a significant effect on the profitability of non-financial companies LQ-45 on the Indonesia Stock Exchange for the 2020–2024 period. The R Square value of 0.198 indicates that the three independent variables are able to explain the variation in profitability of 19.8%, while the remaining 80.2% is influenced by other variables outside this study.

This research has several limitations, including the following:

- 1) The research sample only includes non-financial companies that are consistently listed in the LQ-45 Index during the entire period 2020–2024, so the number of samples is limited, which is only 17 companies with 85 observation units.
- 2) The existence of an extreme value (outlier) in the research variable requires adjustments in the data processing process, including through logarithmic

transformation and winsorizing procedures, in order to meet the assumption of statistical normality.

- 3) The variables studied in this study are only limited to financial ratios, namely liquidity, leverage, and company size, so they do not include other factors that have the potential to affect the company's profitability.

Therefore, the authors suggest that further research to expand the scope of the sample by using a longer research period or expand the research object not only limited to the companies in the LQ-45 Index. In addition, further research is recommended to add other independent variables that have the potential to affect the company's profitability such as sales growth, asset turnover, and macroeconomic factors, as well as to use more complex analysis methods to obtain more accurate results and to describe the company's condition more comprehensively.

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