

THE INFLUENCE OF FIRM SIZE AND GEARING ON INCREASE IN PROFITS IN CUISINE AND REFRESHMENT SUB-SEGMENT ORGANIZATIONS REGISTERED ON THE INDONESIA EQUITY MARKET FOR THE PERIOD 2018-2022

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ABSTRACT

The objective of this research is to analyze whether there is an impact of company size and gearing on profit growth in the culinary and beverage sub-sector companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022. In this study, the dependent variable is profit growth, while the independent variables are company size and gearing. This study uses a quantitative analysis method and purposive sampling technique, utilizing annual financial report data from sixteen culinary and beverage sub-sector companies listed on the IDX. Data testing in this research was conducted using SPSS software version 26. After testing, both variables were found to be valid and reliable. According to this research, the company size variable does not have a significant positive impact on profit growth in culinary and beverage sub-sector companies listed on the IDX. The second finding of this research indicates that the gearing variable has a significant negative impact on profit growth, suggesting that companies with a high debt-to-equity ratio experience an increase in debt usage as a source of funding, which burdens the company with high interest expenses that must be paid, ultimately leading to a decrease in company profits.

Keywords: Firm Size, Gearing, Increase in profits.

INTRODUCTION

Companies in the food and beverage sub-sector in Indonesia play a vital role in supporting the national economy and attracting investor interest, particularly through the Indonesia Stock Exchange (IDX). To maintain competitive performance, companies in this sector must consider factors that can impact their profits, such as company size and leverage. Company size is often associated with advantages in economies of scale, access to more substantial resources, and stronger bargaining power in the market. Research by (Nurdiana, 2018) indicates that company size can positively impact profitability because larger companies have a greater capacity to distribute fixed costs more efficiently, thus improving profit margins.

Leverage, or the debt-to-equity ratio, also plays a significant role in determining company profitability, especially in the food and beverage industry, which has substantial capital needs. However, high leverage carries the risk of increasing interest expenses and reducing net profits, as found in research (Fajar, Consa, & Mulyanti, 2023), which examined the effect of company size and leverage on company value in the food and beverage sector. The study revealed that uncontrolled leverage can become a financial burden for companies, reduce company value, and increase the risk of bankruptcy under unstable

market conditions. This finding underscores the importance of optimal capital structure management.

Overall, recent studies emphasize that companies in this sector need to balance company size and leverage to sustain profit growth. According to (Clark, 2024), large companies with optimal leverage levels tend to have more stable profitability. These findings support the importance of effective leverage evaluation and management, allowing companies to remain competitive and maintain strong profit performance amid economic fluctuations and intense competition.

Problem Identification

Drawing from the above mentioned context, the research's problem identification is as follows:

1. In the Profit and loss statements of the cuisine and refreshment sub-segment organizations from 2018-2022, there is good growth. However, when compared with the Firm's financial ratios, they do not align with existing theories (discrepancy).
2. The size of the firm increased in 2019-2020, while Increase in profits in 2019-2020 decreased in the cuisine and refreshment sub-segment organizations
3. The Debt to Capital ratio increased in 2020-2021, while increase in profits from 2020-2021 increased in the cuisine and refreshment sub-segment organizations.

Scope of the Problem

The scope of this study is "The impact of firm size and gearing on Increase in profits in cuisine and refreshment sub-segment organizations registered on the Indonesia Equity market for the period 2018–2022," according to the background information provided above.

Problem Formulation

The following formulation of the research problem is based on the background mentioned above:

1. Does the size of a firm impact the rate of Increase in profits in organizations in the cuisine and refreshment subsegment that are registered on the Indonesia Equity market between 2018 and 2022?
2. Does the Debt to Capital ratio have an impact on the increase of profits for organizations in the cuisine and refreshment subsegment that are registered on the Indonesia Equity market between 2018 and 2022?

Objectives and Benefits of the Research

Research Objectives

The following are the research's aims, which are based on how the problem was stated:

1. To find out how business size affects Increase in profits in organizations in the cuisine and refreshment subsegment that are registered on the Indonesia Equity market between 2018 and 2022.
2. To ascertain how the Debt to Capital ratio affects the increase of profits in organizations in the cuisine and refreshment sub-segment that are registered on the Indonesia Equity market between 2018 and 2022.

Benefits of the Research

1. For Practitioners: It is expected to serve as a reference material for cuisine and refreshment sub-segment organizations regarding any information related to Increase in profits.
2. For Academics: It is expected to provide insights and information for analyzing the extent to which financial ratios impact Increase in profits. Additionally, it can offer students new perspectives and knowledge about Increase in profits and can be used as theoretical study material and a reference for future research.

LITERATURE REVIEW

Increase in profits

Profit is the reward for a company's efforts in producing goods and services. Every company aims to increase profit growth each year. The formula for profit growth typically involves comparing the profit of the current year with that of the previous year, often expressed as a percentage to measure the growth rate over time:

$$\Delta Y_t = \frac{Y_t - Y_{t-1}}{Y_{t-1}}$$

Y_t is the profit of the company in period t . Y_{t-1} is the profit of the company in the previous period. A high Current Ratio indicates a significant amount of current assets available to enhance profit growth. The company's operational activities run smoothly due to the large amount of current assets, which can lead to increased revenue, and consequently, the profit earned will also rise (Lesmana, Suprayogi, Saddam, Busro, & Saifuddin, 2022)

Profit is the difference between income and expenses or the difference between revenue and costs, while profit growth refers to the increase in a company's profit compared to the profit of the previous period. Good profit growth reflects strong company performance, making it attractive for investors to invest their capital (Nurdiana, 2022)

According to (Kalbuana, Yohana, Bp, & Cahyadi, 2021), profit growth is the difference between realized revenue generated from transactions during a given period and the costs associated with that revenue. The formula for profit growth is calculated as follows: Profit Growth = Net Profit This Year minus Net Profit Last Year divided by Net Profit Last Year.

A healthy profit indicates that the business is performing well when the economy is generally doing well and the business is expanding. Profit, thus, is a gauge of a firm's performance; the greater the profit the business makes, the better the organization performs. Investor interest in making capital investments is therefore increased (Dianitha, Masitoh, & Siddi, 2020)

To determine the Increase in profits occurring in a corporation, the following formula will be used:

$$\Delta Y_{it} = \frac{Y_{it} - Y_{it-n}}{Y_{it-n}}$$

Where :

ΔY_{it} = Increase in profits

Y_{it} = Firm profit for the current period

Y_{it-n} = Firm profit for the previous period

Calculation example:

Financial statements of PT. Akasha Wira International Tbk. for the years 2017 and 2018.

$$\Delta Y_{it} = \frac{Y_{it} - Y_{it-n}}{Y_{it-n}} = \frac{52.958.000.000 - 38.242.000.000}{38.242.000.000} = 0.385$$

The Increase in profits at PT. Akasha Wira International Tbk. in 2017 and 2018 was 0.2779.

Firm size

A firm's size is determined by calculating its total resources and average total resources, which is used to categorize the firm into large or small groups. An organization's size increases with its entire resources. Due to their often higher revenues, large-scale enterprises garner the attention of investors (Diah Nurdiana, 2018)

Firm size is a concept used to classify organizations based on their size or economic scale. Usually, a number of metrics are used to gauge this magnitude, including total resources, total revenues, workforce size, and market capitalization. The size of the firm increases with the greater value of these indicators. Large firm size often attracts more investors' attention as it is considered more stable and has greater profit potential (Dewantari, Cipta, & Susila, 2020)

A firm can indirectly determine its ability to control and generate profit because the size of a corporation, as gauged by the resources it owns, reflects the availability of resources for firm activities, which are generally conducted to achieve profits (Putri, T. E., & Andriansyah, 2022)

In this study, firm size is gauged using total resources; the larger the amount of resources owned, the firm will be classified as a large firm and indicated to have high Increase in profits, and vice versa (Febriana Puspasari, M., Suseno, Y. D., & Sriwidodo, 2017).

To determine the size of the corporation, the following formula will be used:

$$\text{Firm Size} = \ln(\text{Total Resource})$$

Example of calculation:

Financial statements of PT. Akasha Wira International Tbk. for the year 2018.

$$\begin{aligned} \text{Firm size} &= \ln(\text{Total Resources}) \\ &= \ln(881.274.000.000) \\ &= 27.505 \end{aligned}$$

The firm size of PT. Akasha Wira International Tbk. for the year 2018 is 27.5046.

Gearing

This ratio is used to determine how much debt is used to fiscal matters an organization's resources. This entails evaluating the Corporation's debt load in relation to its resources. Gearing ratios, in general, are used to assess a Corporation's capacity to settle all of its debts, both current and future, in the case of liquidation (Susilawati & Purnomo, 2023)

The ability of a corporation to employ resources or resources with fixed expenses to raise the amount of income (return) for the Corporation’s shareholders is referred to as gearing. Gearing is also used to assess a Corporation’s capacity to settle all of its debts, both immediate and long-term, in the case of liquidation (Kasmir, 2019).

According to (Kasmir, 2019), the benefits of gearing ratios are as follows:

1. To assess the Firm's capacity to fulfill its commitments to outside parties.
2. To evaluate the Firm's capacity to pay fixed debts (such interest and loan payments).
3. To assess how capital and resource values, in particular those of fixed resources, are balanced.
4. To examine how much debt is used to fiscal matters the firm's resources.
5. To examine how the firm's debt affects resource management.

Gearing ratios show how a Corporation’s debt and equity are related This ratio might demonstrate how much of the Corporation’s equity is fiscal matters by debt or outside sources.

In this study, the author uses the Debt to Capital ratio. According to (Widarti, Ari, Sudaryo, Yoyo, Ayu, 2021) the Debt to Capital ratio reflects the Firm’s ability to pay its long-term obligations. In conducting its operational activities, a firm requires a substantial amount of funds.

According to (Kasmir, 2019), the formula to calculate the Debt to Capital ratio can be obtained by comparing total debt with total equity as follows:

Example calculation:

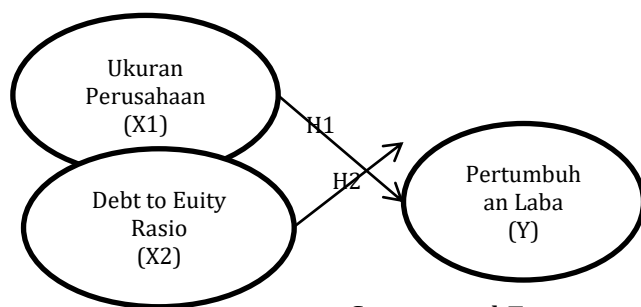
Financial statements of PT. Akasha Wira International Tbk. for the year 2018.

$$\begin{aligned}
 \text{DER} &= \frac{\text{Total Liabilitas}}{\text{Ekuitas}} = \frac{399.360.000.000}{481.914.000.000} \\
 &= 0.829
 \end{aligned}$$

Debt to Capital ratio For PT. Akasha Wira International Tbk. in 2018, it is 0.8287.

Conceptual Framework

In accordance with the relationship between the variables of Firm Size and Gearing on Increase in profits, the reliant variable used in this study is Increase in profits. The unaffiliated variables are Firm Size and Debt to Capital ratio. Thus, the conceptual framework can be explained as follows:



Conceptual Framework Diagram

Hypothesis

The Influence of Firm Size on Increase in profits

Increased earnings are impacted by firm size through a number of important processes. Economies of scale, in which the cost per unit falls as the firm's size increases, help larger companies by increasing profit margins and earnings. Additionally, larger organizations have greater market power, allowing them to set prices and negotiate better terms with suppliers, potentially increasing revenue and Increase in profits. Better access to financial and human resources also enables larger organizations to invest in new technologies and expand operations, supporting Increase in profits. Greater operational diversification helps large organizations manage risks and maintain stable revenue streams, while broader investment opportunities can further drive Increase in profits. Thus, firm size is often positively related to Increase in profits (D. Nurdiana, 2018)

This is supported by research results from (Petra, B. A., Apriyanti, N., Agusti, A., Nesvianti, N., & Yulia, 2021) and (Rahma & Nurdiana, 2023), which indicate that firm size has a positive and crucial effect on Increase in profits.

H1: Firm Size has a positive effect on Increase in profits.

The Influence of Debt to Capital ratio on Increase in profits.

A financial measure called the Debt to Capital measure (DER) contrasts the entire equity of a company with its debt. Profit increases are influenced by the debt to capital ratio (DER), as a lower DER denotes more equity and less debt for the company. Thus, a low DER enhances the Firm's ability to distribute or earn high profits, thereby increasing Increase in profits (Kurniasih & Surachim, 2019) This is supported by research conducted by (Purnawan, A. F., & Suwaidi, 2021), which found that the Debt to Capital ratio (DER) has a crucial negative effect on Increase in profits.

H2: The Debt to Capital ratio has a negative effect on Increase in profits.

RESEARCH METHODS

Research Design

Research Variables

The variables in this study consist of unaffiliate variables (X) and reliant variables (Y). The reliant variable is often referred to as the output, criterion, or consequence variable. According to (Sugiyono, 2014), the reliant variable is the one that is influenced by or results from the unaffiliated variable.

1. Unaffiliated Variable The unaffiliated variable is the factor that influences or causes changes in the reliant variable. In this study, the unaffiliated variables are Firm Size and Debt to Capital ratio.
2. Reliant Variable The reliant variable is the one that is affected or results from the unaffiliated variable. In this study, the reliant variable is Increase in profits.

Data Types and Sources

The type of data used is quantitative, sourced from the financial reports of food and beverage sub-sector companies listed on the Indonesia Stock Exchange.

The data source used is Secondary Data, which is obtained indirectly by the researcher from data providers such as: media outlets, data providers, equity markets, data

used in previous research, data available in statistical software, and others. In this study, to obtain data sources, the researcher will cite information from the Indonesia Equity market (www.idx.co.id). which has been audited.

Data Collection Techniques

The methods used for data collection are documentation and literature review. Documentation involves collecting data by gathering documents related to the research issue. The literature review method entails retrieving and studying relevant literature and sources related to the research. The secondary data for this study consists of financial statements from cuisine and refreshment organizations over a 5-year period from 2018 to 2022, obtained from the Indonesia Equity market website (www.idx.co.id).

Sampling Technique

In this study, the population consists of all food and beverage sub-sector companies listed on the Indonesia Stock Exchange from 2018 to 2022, totaling 28 companies.

In this study, the author uses sample data from company documents or annual financial reports obtained from the research site, employing a sampling method known as purposive sampling. According to (Kristaung, Robert dan Yvonne, 2018), "Purposive sampling is a sampling technique based on specific criteria."

In this study, the author uses a sample of documents or annual Profit and loss statements from organizations obtained from the research location using purposive sampling. The criteria for selecting the research sample are as follows:

1. Cuisine and refreshment organizations registered on the Indonesia Equity market (IDX) during the research period of 2018-2022.
2. Cuisine and refreshment organizations that have been registered during the research period of 2018-2022 and have complete information required for the indicators used as variables in this study.
3. Organizations within the cuisine and refreshment subsegment that have reported profits during the research period of 2018-2022.

Table 1. Sample Selection Criteria

No	Criteria	Amount
1	Food and beverage sub-sector companies listed on the Indonesia Stock Exchange (IDX) during the research period 2018–2022.	28
2	Food and beverage sub-sector companies that have been listed during the research period 2018–2022 and have complete information needed regarding the calculation indicators used as variables in this study.	(8)
3	Companies studied in this research are food and beverage sub-sector companies that have reported profits during the research period 2018–2022.	(4)
Number of samples		16

Data Processing and Analysis Techniques

This study uses a quantitative research method, and the data processing is carried out using SPSS 26 (Statistical Product and Service Solutions) software. The predictive modeling model used in this study is Multiple Direct Predictive modeling Analysis.

Multiple Linear Regression Analysis

This study aims to examine the influence of the relationships between independent variables on the dependent variable using multiple linear regression analysis. The statistical method for hypothesis testing in this research applies multiple linear regression, presented in the form of a regression equation. This estimation aims to predict the regression model parameters, namely the constant value (α) and the regression coefficients (β).

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

Explanation:

Y = Profit Growth

A = Constant

β_1 = Regression coefficient for Company Size

X1 = Company Size

β_2 = Regression coefficient for Debt to Equity Ratio

X2 = Debt to Equity Ratio

E = Error

Hypothesis Testing

Hypothesis testing is used to determine whether there is a significant effect of the independent variables on the dependent variable using T-test analysis and the coefficient of determination (R^2). This study uses a one-tailed hypothesis test because it is a one-directional test, with a clear positive or negative direction.

T-Test (Partial Significance Test)

According to (Kristaung, Robert dan Yvonne, 2018) the T-test (partial test) essentially indicates how far an individual independent variable affects the dependent variable in explaining its variance. This test determines whether each independent variable (X) significantly influences the dependent variable (Y). If the significance value (Sig. < 0.05), then there is a partial effect of the independent variable on the dependent variable. The formula for the calculated T-value is as follows: $T_{\text{calculated}} = b_i / S_{b_i}$.

Explanation:

b_i = regression coefficient of variable i

S_{b_i} = Standard error of variable i

With a significance level of 0.05 ($\alpha = 5\%$) and degrees of freedom $df = (n - k - 1)$.

This test is conducted based on the following criteria:

- a. If $T_{\text{calculated}} > T_{\text{table}}$, there is a partial effect of the independent variable on the dependent variable, meaning H_0 is rejected and H_a is accepted.
- b. If $T_{\text{calculated}} < T_{\text{table}}$, there is no partial effect of the independent variable on the dependent variable, meaning H_0 is accepted and H_a is rejected.

Coefficient of Determination (R^2)

According to (Kristaung, Robert dan Yvonne, 2018), the R-squared (R^2) value is a measure of the proportion of variance in the dependent variable around its mean that can be explained by the independent or predictor variables. The closer this value is to 1, the more accurate the prediction becomes. The R-squared value ranges between 0 and 1 and is always positive. This value is also a reference in linear regression for model fit: the closer R^2 is to 1, the better the model's fit; conversely, if the value approaches 0, the regression model is less appropriate.

RESEARCH RESULTS AND DISCUSSION

Research Findings

Here is the data from the research conducted by the researcher. The research variables in this study are firm size, gearing gauged by the debt to capital ratio, and their impact on Increase in profits.

Secondary data collection was carried out using the Indonesia Equity market website, www.idx.co.id, to access and download the financial statements of cuisine and refreshment subsegment organizations that were published during the research period from 2018 to 2022. A total of 28 organizations that conducted Initial Public Offerings (IPOs) were identified. Among these, 16 organizations were selected as the sample, as follows:

Table 2 List of Research Sample List

No	Code	Issuer Name
1	ADES	Akasha Wira International Tbk.
2	CAMP	Campina Ice Cream Industry Tbk
3	CEKA	Wilmar Cahaya Indonesia Tbk.
4	CLEO	Sariguna Primatirta Tbk.
5	DLTA	Delta Jakarta Tbk.
6	ICBP	Indocuisine CBP Sukses Makmur Tbk.
7	HOKI	Buyung Poetra Sembada Tbk.
8	INDF	Indocuisine Sukses Makmur Tbk.
9	MLBI	Multi Bintang Indonesia Tbk.
10	MYOR	Mayora Indah Tbk.
11	ROTI	Nippon Indosari Corpindo Tbk.
12	SKBM	Sekar Bumi Tbk.
13	SKLT	Sekar Laut Tbk.
14	STTP	Siantar Top Tbk.
15	TBLA	Tunas Baru Lampung Tbk.
16	ULTJ	Ultrajaya Milk Industry & Trad, Tbk.

Source: www.idx.co.id, processed by the author, 2024

Table 3. Multiple Linier Regressission Analysis Test Result

Model		Coefficients ^a					Collinearity Statistics	
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
		B	Std. Error	Beta				
1	(Constant)	-.254	.899		-.283	.778		
	Company Size	.017	.032	.058	.539	.592	.830	1.205
	Debt to Equity Rasio	-.309	.105	-.316	-2.944	.004	.829	1.207

a. Dependent Variable: Profit Growth

Source: Processed by the author with SPSS, 2024

The regression equation can be explained as follows:

1. A constant of -254 means that if Company Size (X1) and the Debt to Equity Ratio (X2) are both 0, then Profit Growth (Y) would be -254.
2. The regression coefficient for Company Size (X1) is 0.017, indicating that Company Size has a positive relationship with Profit Growth. This means that for every 1% increase in Company Size, Profit Growth will increase by 0.017.
3. The regression coefficient for the Debt to Equity Ratio (X2) is -0.309, showing that the Debt to Equity Ratio has a negative relationship with Profit Growth. Thus, for every 1% increase in the Debt to Equity Ratio, Profit Growth will decrease by 0.309.

Table 4. T Test Results

Model		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.254	.899		-.283	.778
	Company Size	.017	.032	.058	.539	.592
	Debt to Equity Rasio	-.309	.105	-.316	-2.944	.004

a. Dependent Variable: Profit Growth

Source: Processed by the author with SPSS, 2024

Based on the data presented in Table 4, the results of the partial significance test (T-Test) are as follows:

a. Company Size (X1) on Profit Growth (Y):

The significance value for Company Size is 0.592, which is greater than 0.05 (sig. value $0.592 > 0.05$), and the t-value is 0.539, Since $t_{count} < t_{table}$ $0.539 < 1.99210$, this means H1 is rejected. In other words, the hypothesis that Company Size has a positive effect on Profit Growth is rejected.

b. Debt to Equity Ratio (X2) on Profit Growth (Y):

The significance value for the Debt to Equity Ratio is 0.004, which is less than 0.05 (sig. value $0.004 < 0.05$), and the t-value is -2.944, Since $t_{count} > t_{table} > -2.944 > 1.9921$, this means H2 is accepted, confirming the hypothesis that the Debt to Equity Ratio has a negative effect on Profit Growth.

Interpretation of Research Results

By conducting hypothesis and statistical testing by the author on 16 cuisine and refreshment sub-segment organizations registered on the IDX in 2018-2022 using Statistical Product and Service Solution (SPSS) Software version 26 regarding the influence of Firm Size, Debt to Capital ratio on Increase in profits in cuisine and refreshment sub-segment organizations registered on the Indonesia Equity market for the 2018-2022 period, the author interprets the research results which are strengthened by existing theories and the results of previous research. The following are the results of the research hypothesis:

Table 5 of Research Hypothesis Results

Code	Hypothesis	Results
H1	Firm size has a positive effect on Increase in profits	Rejected
H2	Debt to Capital ratio has a negative effect on Increase in profits	Accepted

The Influence of Firm Size on Increase in profits

Based on the results of partial testing, Firm Size as an unaffiliated variable (X1) has a significance value of 0.592 or $0.592 > 0.05$ with a t-value of 0.539, which means $t\text{-value} < t\text{-table}$, i.e., $0.539 < 1.99210$. This indicates that H1 is rejected and H0 is accepted, meaning there is no crucial positive effect of firm size on Increase in profits in the cuisine and refreshment subsegment organizations registered on the Indonesia Equity market during the 2018-2022 period. Organizations with large total resources indicate that they have reached a mature stage and are considered to have good prospects over a long period. This also reflects that the firm is relatively stable and is perceived as more capable of generating profits compared to organizations with smaller total resour (Nurdiana, Diah, Murwaningsari, 2023). However, the research results show that organizations with large total resources are not necessarily better at managing the firm compared to those with smaller resources. Large organizations do not always have a better Increase in profits rate; smaller organizations can also achieve better Increase in profits if supported by good performance and operations, thereby optimizing every resource they have.

The Influence of Debt to Capital ratio on Increase in profits

Based on the results of partial testing, the Debt to Capital ratio as an unaffiliated variable (X2) has a significance value of 0.004 or $0.004 < 0.05$ with a t-value of -2.944, which means the t-value is greater than the t-table value, i.e., $-2.944 > 1.9921$. This indicates that H2 is accepted and H0 is rejected, meaning there is a crucial negative effect of the Debt to Capital ratio on Increase in profits in the cuisine and refreshment subsegment organizations registered on the Indonesia Equity market during the 2018-2022 period. This suggests that organizations with a high Debt to Capital ratio also have a higher reliance on debt as a source of funding, which burdens the firm with high interest costs that must be paid, ultimately leading to a decrease in firm (Nurdiana, Diah, Murwaningsari,

2023) When a Firm's debt is higher than its equity, the Debt to Capital ratio exceeds one, indicating that the funds used for the Firm's operational activities are more derived from debt than from equity. Therefore, investors tend to be more interested in a Debt to Capital ratio of less than one, as a ratio above one indicates a higher amount of debt and an increased risk for the corporation.

CONCLUSION

Based on the results of the research on the influence of firm size and gearing on Increase in profits in 16 cuisine and refreshment subsegment organizations registered on the Indonesia Equity market (IDX) during the 2018-2022 period, the following conclusions can be drawn:

1. Firm Size does not have a positive effect on Increase in profits. This is evidenced by a significance value of 0.592, or $0.592 > 0.05$, with a t-value of 0.539, meaning $t\text{-value} < t\text{-table}$, i.e., $0.539 < 1.99210$, which indicates that H1 is rejected. This suggests that organizations with large total resources are not necessarily better at managing the firm than those with smaller resources.
2. Gearing, gauged using the Debt to Capital ratio, has a negative effect on Increase in profits. This is evidenced by a significance value of 0.004, or $0.004 < 0.05$, with a t-value of -2.944, meaning $t\text{-value} > t\text{-table}$, i.e., $-2.944 > 1.9921$, which indicates that H2 is accepted. This suggests that organizations with a high Debt to Capital ratio imply greater use of debt as a source of funding, which burdens the firm with high interest costs that must be paid, ultimately leading to a decrease in firm profits.

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