

---

**TEMA**

Volume 26 Issue 2

**RECEIVED**

April 10, 2025

**REVISED**

July 25, 2025

**ACCEPTED**September 15, 2025

---



---

**EMPIRICAL ANALYSIS OF FINANCIAL FACTORS  
INFLUENCING PROFITABILITY IN INDONESIAN TECH  
FIRMS****Eldridge Elisha Halomoan Naibaho**Departemen Akuntansi, Fakultas Ekonomi dan Bisnis, Universitas  
Brawijaya, Indonesia

**Abstract:** The Technology industry has been growing rapidly for the last 5 years and continues to improve the Indonesian economy. However, despite the conditions that support companies to increase profitability, there are still many companies that experience losses. This study aims to test and provide empirical evidence related to several internal company factors that can affect profitability. The object of this study is companies listed in the technology sector of the Indonesia Stock Exchange from 2020 to 2023. The samples obtained in the study are 12 companies with a total of 48 data points, with a panel regression test as the analysis method used in the study. The results showed that liquidity has a significant negative effect on profitability. Leverage has a significant positive effect on profitability. Company size has no significant effect on profitability. Asset growth has a significant positive effect on profitability. This study is useful for providing insight into the relationship between independent variables and dependent variables in a research model specifically designed to explain the phenomenon of profitability inconsistency in the rapidly growing technology sector.

**Keywords:** Agency Theory, Asset Growth, Company Size, Indonesia Stock Exchange, Leverage, Liquidity, Pecking Order Theory, Profitability, Technology Sector Company

---

**INDEXED IN**SINTA - Science and  
Technology Index

Google Scholar

Garuda

---

**CORRESPONDING AUTHOR**Eldridge Elisha Halomoan  
Naibaho  
Fakultas Ekonomi dan Bisnis,  
Universitas Brawijaya,  
Indonesia**EMAIL**

eldridge.elisha7@gmail.com

**OPEN ACCESS**

Copyright (c) 2025 TEMA

**Cite this as:**Naibaho, E. E. H. (2025). Empirical Analysis of Financial Factors Influencing Profitability in Indonesian Tech Firms. *Tema (Jurnal Tera Ilmu Akuntansi)*, 26(2), pp. 194–206. DOI: <https://doi.org/10.21776/tema.26.2.05>.

## INTRODUCTION

Today's economy is increasingly dependent on systems and technology, where information systems and communication technology become an integration medium for other sectors. This condition opens opportunities for companies in the technology sector to maximize the potential for increasing profitability. The growth in the number of companies listed in the IDX technology sector reached around 160% from 2020 to 2024. In 2021, the technology sector experienced a peak stock price index growth of 967% in September. The price-to-earnings ratio level of the technology sector in 2021-2023 was also the highest compared to other sectors on the IDX. However, after further observation on the profitability of technology sector companies in 2020-2023, it was found that not a few technology sector companies experienced losses, with around 42% of the total companies listed in the technology sector experiencing losses. Not only new entry or developing companies, but also big companies such as EMTK, GOTO, BUKA, and BELI experienced losses in the 2020-2023 time frame.

Various previous studies have been conducted to identify internal factors that can affect company profitability, including liquidity (Alarussi & Alhaderi, 2018; Pradnyaswari & Dana, 2022), leverage (Septiano, Maheltra, & Sari, 2022), asset turnover (Adria & Susanto, 2020); tax planning (Lestari & Agustiningsih, 2023), firm size (Felicia & Viriany, 2023), and asset growth (Afrianti & Purwaningsih, 2022). Based on observations of previous research, there are several internal factors that have a significant impact on profitability, which are liquidity, leverage, company size, and asset growth. In order to describe the relation and influence between these variables towards profitability, this study uses agency theory and pecking order theory as the ground basis. This theory explains that to utilise the potential to increase profit, management needs to maintain financial ratios, capital structures, resources, and an expansion plan.

The phenomenon explained before is the basis for research on the profitability of technology sector companies on the Indonesia Stock Exchange from 2020 to 2023, as the main single object for this research. The question that arises is what distinguishes technology companies that get profitability consistently from companies that experience losses from 2020 to 2023? Assuming that the market conditions of the technology sector in the economy provide equal opportunities, opportunities, and risks for each company in maximizing profitability. The main difference lies in the internal factors that affect profitability and how company management can maximize them to increase profitability.

Based on previous research, there was an inconsistency in the findings regarding the relationship between liquidity, leverage, company size, and asset growth and profitability. Inconsistencies in results can be caused by several factors, including differences in the model and research design used in each study, differences in testing, sampling methods, and criteria, research objects, and periods used. Therefore, the first gap in previous research is the inconsistent or low external validity of research results. The results of previous research are not relevant when applied directly to research objects with specific phenomena, such as in this study. The second gap is that there is no previous research that focuses on the profitability of technology sector companies on the IDX in 2020-2023 as the object of research, so further research is needed to provide more accurate and reliable results related to the phenomenon of profitability that occurs in the technology sector of the Indonesia Stock Exchange.

This research is designed to address the gap in prior research on inconsistency and to focus on technology-sector companies. This research uses a quantitative approach with secondary data from financial statements to analyze which internal factors affect profitability, why they do, and how. The results of this study can be used to explain what internal factors affect the company's ability to generate sustainable profits in 2020-2023. In addition to its theoretical benefits, this research is also practically useful for companies by providing an overview of factors that can affect profitability in the technology sector, helping them manage their finances. This research is also useful for investors who use the company's financial

condition as an aspect to determine investment decisions in technology sector companies. Based on the background that has been explained, there are four research objectives that will be achieved through the results of this study, which are to test and provide an analysis based on empirical evidence related to whether liquidity, leverage, firm size, and asset growth each and altogether have significant positive effects on profitability.

## LITERATURE REVIEW

### Grand Theory and Variables

Jensen and Meckling (1976) explain agency theory as a theory that underlies the relationship between parties in an entity, namely, principals and agents, with their respective obligations that are closely related. Jensen and Meckling also explained that the agent may not always make decisions that benefit the principal. This condition becomes an agency problem that arises due to information asymmetry and conflict of interest between the two parties.

Jensen and Meckling (1976) argue that reducing the principal's interest requires agency costs, which include control and binding costs. Efficiently applied agency costs will result in an effective agency relationship, which is expected to increase the principal's wealth. Management has the authority to make decisions on funding sources, expansion strategies, operational activities, and financial management. Therefore, the main focus of management, in maximizing shareholder interests, is to efficiently manage internal factors that can affect profitability. It can be concluded that management will efficiently manage the company's internal operations to gain a competitive advantage in the market, thereby maximizing profitability and ultimately meeting the interests of the principal.

Ross, Westerfield, and Jordan (2010) explain that the pecking order theory is a theory that explains the tendency of business entities to make decisions regarding funding sources in the capital structure. Brigham and Houston (2019) explain the pecking order theory as an order in making decisions related to funding sources. Brigham and Houston further explain that the order of the first source of funds is from retained earnings, and if it is not sufficient, the company can use issuing debt/bonds, and the last resort is issuing new shares. The hierarchy of funding sources is based on several reasons, namely, the costs incurred by the entity to issue bonds or flotation costs required to issue new shares to the public are large compared to internal financing.

The pecking order theory's implication for profitability is that companies with high growth rates and large financing needs tend to use debt more heavily (Firjatullah, 2022). Companies use debt to invest and expand. Company investment and the level of expansion carried out will certainly have an influence on the company's ability to increase profits. Therefore, it can be concluded that the level of corporate debt use influences a company's profitability.

Profitability is a measure used to determine the company's ability to generate profits or profits over time (Ermaini et al, 2021). Based on agency theory, company management operates with the primary objective of maximizing the principal's interests, one of which is increasing the company's profitability. Management is responsible to the principal for managing shareholders' equity properly and generating profits. The increase or decrease in profitability is influenced by various internal and external factors. However, for management, the main internal factors to manage are those that can affect profitability.

Brigham and Houston (2019) explain that profitability is the final result of the company's operations which is also influenced by the company's liquidity, asset management, and leverage. Therefore, to maximize the company's potential to increase profits in a fast-growing, profitable market, management must identify the internal factors that affect profitability and how they do so. Based on previous research, four internal factors can affect profitability: liquidity, leverage, firm size, and asset growth.

Brigham and Houston (2019) explain that liquidity is an internal factor that can affect the profitability of the company. Liquidity is a measure of a company's ability to meet short-term obligations using current assets (Ermaini et al., 2021). In accordance with agency theory, management will strive to maintain the company's liquidity to increase net working capital. Afrianti and Purwaningsih (2022) explained that the higher a company's liquidity, the more current assets it can allocate to its business processes, increasing potential profits. Therefore, based on the assumptions of agency theory, it can be concluded that well-managed liquidity can affect company profitability. Management with large net working capital with low liquidation risk can affect the company's opportunity to increase profitability.

Ross, Westerfield, and Jordan (2010) explain leverage as a measurement that describes the long-term ability of the company to meet long-term obligations. Leverage can also be used to measure the company's reliance on debt relative to equity in its capital structure (Ross et al., 2010). Based on the pecking order theory, companies with large levels of debt are usually companies that are in the growth stage that require significant financing (Firjatullah, 2022).

The use of debt certainly has benefits and risks that companies can accept. Firjatullah (2022) explains that the ideal level of leverage occurs when the marginal benefit of each use of debt equals its marginal cost. Brigham and Houston (2019) explain that corporate leverage is an internal factor that affects a company's profitability. However, the issue is the inconsistency of its effect on profitability. Large debt can increase a company's profitability, according to research by Hasbiah (2022) and Ramadhanti et al. (2021). However, high debt creates a significant burden that, if not managed properly, can lead to bankruptcy.

Firm size is a scale that is a benchmark for knowing and assessing the condition of the size or size of a company when compared to similar companies (Pradnyaswari and Dana, 2022). Nugraha and Riyadhhi (2019) explain that the size of a company can be measured by its total assets. Companies with large sizes tend to be more profitable than those with small sizes.

Alarussi and Alhaderi (2018) found that the larger a company, the greater its financial resources, namely, assets. These conditions will have an impact on the reduced cost of capital and increased company profitability. Therefore, it can be concluded that company size is another internal factor that can affect company profitability. This statement aligns with agency theory, which holds that management will act to maximize the company's interests. Management will manage company assets efficiently to maximize profitability.

Asset growth illustrates the level of expansion, investment aggressiveness, and management performance. An increasing asset growth rate indicates an increase in the company's resources that can be used for operational efficiency, which will impact the company's ability to earn profit. Karlina et al. (2023) also found that high asset growth indicates the company has favorable conditions and stable profitability. Increasing the company's operational resources gives management more opportunity to maximize profitability.

Asset growth can also indicate the efficiency of management performance in increasing profitability. The retained earnings of the company in one period will be converted into company assets for the next period. Therefore, companies with efficient performance will increase asset growth, and vice versa. The higher the asset growth, the higher the profitability of the company. The application of agency theory also supports this statement, where management operations are oriented towards performance and profitability, so that company expansion and investment, accompanied by good performance, will affect profitability.

## **HYPOTHESIS DEVELOPMENT**

Based on agency theory, management will seek to maximize the company's liquidity to increase the availability of working capital, or net working capital, for the company's operations. At the same time, increased liquidity will reduce the risk of default on the

company's short-term debt. A company with an increased liquidity ratio indicates sufficient working capital to meet profit targets. An increase in company liquidity also attracts investors because of the low risk of liquidation. That way, the company's debt figure will decrease, so that the financial burden will also decrease, and the company's profitability can increase. Therefore, a conjecture can be developed, namely, that the increasing liquidity of the company will have an impact on increasing the company's profitability. This statement is also supported by prior research. Research by Wage et al. (2021) and Afrianti and Purwaningsih (2022) found a significant liquidity effect, with a positive influence on company profitability.

**H1:** Liquidity has a significant effect with a positive influence on company profitability

The use of debt can be illustrated as a lever that, when pulled, can provide both gains and losses. Pecking order theory implies that companies with low profitability and high growth rates tend to use debt significantly due to large financing needs (Firjatullah, 2022). Ross et al. (2010), related to the Du Pont identity explains that leverage can increase profitability if the company can increase profit margins and asset turnover. In accordance with the phenomenon that occurs in the IDX technology sector, most companies are in the growth stage, so management tends to use debt significantly, which will increase the company's leverage. However, even as management increases debt use, companies can still achieve higher profitability. Therefore, the hypothesis developed is that leverage has a positive influence on firm profitability. This statement is also supported by several previous studies by Adria and Susanto (2020), Ramadhanti et al. (2021), Sabakodi and Andreas (2024), and Hasbiah (2022), which explain the positive influence of leverage on profitability. The results of this previous study indicate that leverage has a significant positive effect on company profitability.

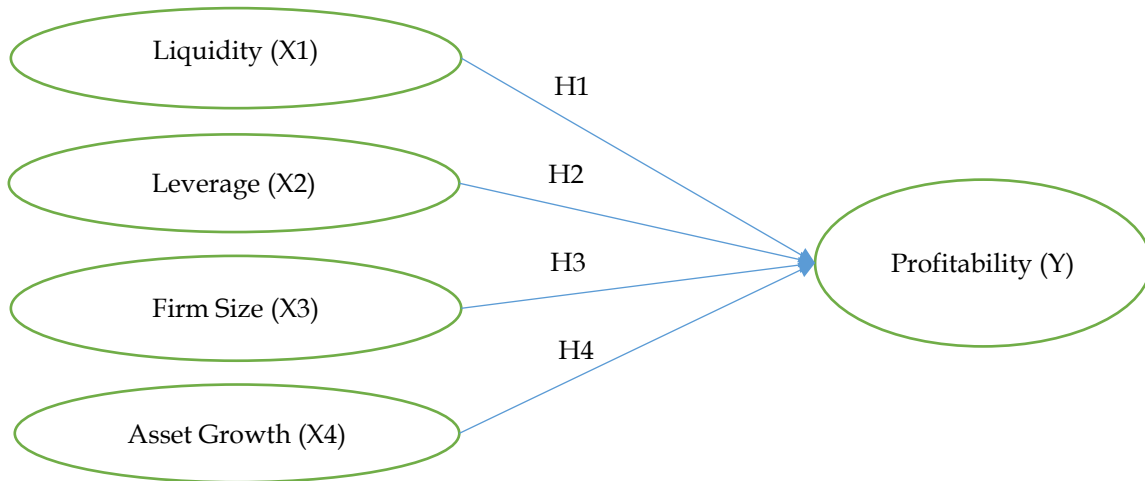
**H2:** Leverage has a significant positive effect on company profitability

Based on agency theory, management will try to maximize performance by utilizing the assets owned by the company to increase profitability. Companies with large sizes tend to have greater potential to increase profitability than smaller companies. The greater the total assets of the company, the more the management will have an advantage in access to finance and competitiveness compared to other companies. In addition, large companies provide advantages in operational efficiency, as well as long-term stability and sustainability, which can increase profitability. Therefore, the logic is that company size is an internal factor that can positively influence profitability. This statement is also supported by several previous studies that examined the relationship between company size and profitability. Research conducted by Khajar et al. (2020) and Lestari and Agustningsih (2023) states that company size has a positive influence on company profitability.

**H3:** Firm size has a significant positive effect on company profitability

Asset growth reflects the extent of expansion, investment, and management performance, and is one factor that can affect profitability. Aggressiveness in investment and expansion opens opportunities for companies to increase profitability if management manages it well. Selecting profitable investments and managing expansion projects effectively will deliver a high rate of return to the company. This statement is supported by the implications of agency theory, which explains that management will operate in accordance with the interests of shareholders. Therefore, effective management of the company's assets will efficiently drive growth, increasing profitability. Research conducted by Karlina et al. (2023) and Setiyowati and Indiraswari (2024) states that the growth of a company's assets has a positive effect on company profitability.

**H4:** Asset growth has a significant positive effect on company profitability



**Figure 1. Research Framework**

## METHOD

This is quantitative research that uses secondary numerical data. The research population amounted to 47 technology sector companies on the IDX during the period 2020-2023. This research uses agency theory and pecking order theory as a basis for variable identification, developing hypotheses, test result interpretation, and as a basis for implementing the research as a whole. The approach and method used for the data collection process is the documentation method. This research uses a non-probability sampling approach with a purposive sampling method. The number of samples obtained was 12 companies, so the total observations in this study were 48. The data analysis method used is panel data regression. Testing includes descriptive statistics, panel data model estimation, classical assumption tests, and hypothesis testing. Hypothesis testing is divided into three: R-squared, F-test (simultaneous effect), and t-test (partial effect).

## RESULTS

### Respondent Characteristics

The object of research used in this study is companies listed in the technology sector on the Indonesia Stock Exchange in 2020-2023. The data used in this study is secondary data obtained from the company's financial statements. Based on the purposive sampling criteria, there are 12 companies that are suitable for the purpose of the study. Within the 4-year period of 2020-2023, this study uses 48 total observations as samples to be used for further testing the hypotheses and as a basis for test results interpretations.

**Table 1. Research Sample**

Criteria	Total Samples
Technology sector companies registered and transacting shares on the Indonesia Stock Exchange	47
A technology sector company's financial statement	(15)
Companies that experienced a loss in the period of 2020-2023	(20)
Number of selected companies	12
Total sample observations (4-year period)	48

Source: Processed data (2025)

### Descriptive Statistical Analysis

Mcevoy (2018) describes descriptive statistical analysis as a visualisation of raw data to present a perspective that describes the condition of the data set. Based on Table 2, it is known that the average of the company's profitability as measured using the ROE ratio during the 2020 - 2023 period is 0.169, which shows that the company's net profit compared to the company's equity on average reaches 17%. Furthermore, the average company liquidity, measured by the current ratio, is 2.33. This shows that, on average, companies in the sector have 2.33 times current assets relative to current liabilities. Leverage, as measured using the debt-to-equity ratio, shows an average value of 1.45. This shows that, in financing the company's operations, debt is 1.45 times as large as equity. The average company size, as measured by the natural logarithm of total assets, is 26.9, or approximately IDR 1.3 trillion. The next variable, asset growth, averaged 38% per year from 2020 to 2023. Descriptive statistical analysis provides two important pieces of information: companies in the technology sector tend to use significant debt (high leverage), and their liquidity levels are quite high.

**Table 2. Descriptive Statistical Analysis**

Variable	Mean	Max	Min	Median
Profitability	0,1699	0,700	0,0022	0,14450
Liquidity	2,3327	10,04	0,4160	1,92510
Leverage	1,4545	23,31	0,1242	0,72995
Firm Size	26,994	30,17	24,156	26,9202
Asset Growth	0,3820	2,324	-0,496	0,22030

Source: Descriptive Statistical Analysis Eviews-12 Output (2025)

### Chow Test

Based on Table 3, the Chow test shows that the p-value. Cross-Section Chi-Square is 0,0007. This result is below 5% (0,05). Therefore, it can be concluded that the model to be used is the fixed-effects model until further testing is done.

**Table 3. Chow Test**

Effects Test	Statistic	d.f	Prob.
Cross-section F	2,780217	(11,32)	0,0118
Cross-Section Chi-Square	32,195902	11	0,0007

Source: Chow Test Eviews-12 Output (2025)

### Hausman Test

Based on the Hausman test results in Table 4, the value of Prob. Cross-section Random is 0,1300. Based on this test result, it can be concluded that the model to be used is a random-effects model until further testing is conducted.

**Table 4. Hausman Test**

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f	Prob.
Cross-section Random	7,112823	4	0,1300

Source: Hausman Test Eviews-12 (2025)

### Lagrange Multiplier Test

The result of the Lagrange multiplier test, as shown in Table 5, indicates that the final panel model to be used is the common effects model. As shown in Table 4, the value of Chi-Sq. statistic is 0,1080 which is higher than 0,05. Based on that result, the panel model to be used is the common effects model.

**Table 5. Uji Lagrange Multiplier**

Test Summary	Chi-Sq. Statistic
Bresuch-Pagan	0,1080

Source: Lagrange Multiplier Test Eviews-12 (2025)

### Normality Test

Based on Table 6, it is shown that the probability value of the normality test is 0,00 which is below 0,05. This result indicates that the data isn't normally distributed. This research applies the Z-score test to identify the outlier observations and exclude them to make sure the distribution in the study regression model is normal.

**Table 6. Normality Test**

Jarque-Bera	71,03284
Probability	0,000000

Source: Jarque-Bera Test Eviews-12 (2025)

### Z-Score Test

Table 7 shows the standardized value of an observation that can be classified as an outlier observation. The outlier found is a dependent variable observation that was calculated using return on equity. Based on raw data and descriptive statistical analysis, it was found that in 2020, the issuer's ROE reached 70% and decreased significantly in 2021 and 2022.

**Table 7. Uji Z-Score**

Observation	Issuer Code	Year	Z-Score (ROE)
45	ZYRX	2020	3.5076

Source: Z-Score Test Eviews-12 (2025)

### Normality Test

Table 8 shows that the probability value of the normality test is 0,253 which is greater than 0,05. By this result, it can be concluded that the data distribution in this study panel regression model is already normal.

**Table 8. Uji Normalitas (Without Outlier)**

Jarque-Bera	2,742707
Probability	0,253763

Source: Jarque-Bera Test Eviews-12 (2025)

### Multicollinearity Test

Based on the results of the multicollinearity test conducted, it can be concluded that the panel data regression model is free from multicollinearity. This is evident from the correlation coefficients between variables, which are all below 0.90. X1 and X2 are -0.269719, X1 and X3 are -0.312832, X1 and X4 are 0.395662. The relationship between X2 and X3 is -0.185734, and X2 and X4 is 0.348255. The relationship between variables X3 and X4 is -0.486451. Based on the test results, the correlation between the independent variables of the study is smaller than 0.90. With these results, the regression model of this study is free from symptoms of multicollinearity.

### Heteroskedasticity Test

Based on Table 9, which consists of the result of the white test, it is known that the probability value is 0,3978. Based on this result, it can be concluded that the regression model is free from the heteroscedasticity problem because the value is greater than 0,05.

**Table 9. Heteroscedasticity Test**

Obs*R-squared	Prob. Chi-Square
15,71701	0,3978

Source: Heteroscedasticity Test Eviews-12 (2025)

### Autocorrelation Test

Table 10 shows the probability value of Obs\*R-squared is 0,2011 which is greater than 0,05. Therefore, the panel regression model is free from the autocorrelation problem.

**Table 10. Autocorrelation Test**

F-Statistic	1,465105	Prob. F	0,2432
Obs*R-squared	3,207995	Prob. Chi-Square	0,2011

Source: Autocorrelation Test Eviews-12 (2025)

### Hypothesis Testing

The coefficient of determination test is used to test the regression model to determine how well the independent variables in the regression model explain the variation in the dependent variable. Based on Table 11, the R-Squared value obtained is 0.551586, or 55%. This result indicates that the dependent variable, namely company profitability, is influenced by the independent variables, namely liquidity, leverage, company size, and asset growth, by 55%.

The simultaneous significance test or F-statistic test is used as the basis of analysis to determine whether the independent variables simultaneously influence or not the dependent variable. Based on Table 4.13, the results of the Common Effect Model regression model obtained an F-statistic probability value of 0.000001. The probability result is smaller than the significance value of 0.05 indicates that the panel data regression model used is appropriate, and the independent variables in the regression model simultaneously have an influence on company profitability. Thus, the independent variables in the research model, namely liquidity, leverage, company size, and asset growth, simultaneously have an influence on the dependent variable of the research, namely profitability.

Based on Table 11, which shows the result of the common effect model regression test, it is shown that the value of R-squared is 55%. The value explains how well the independent variables in the regression model influence the dependent variable. The result shows that

liquidity, leverage, firm size, and asset growth influence corporate profitability by 55%. Next point, related to the simultaneous influence test using F Statistic test. Table 11 shows that the value of Prob(F-statistic) is 0,00 which is lower than 0,05. Therefore, it can be concluded that liquidity, leverage, firm size, and asset growth simultaneously significantly influence corporate profitability.

Table 11 also provides information on partial influence using the t-test. Liquidity, as the first independent variable, significantly gives a negative influence towards corporate profitability. That result is based on the probability value of 0,0194 which is lower than 0,05 with a negative coefficient. Leverage, as the second variable, gives significant positive influence on corporate profitability. It means that an increase in leverage will give positive impact on profitability. This result is based on the probability value of 0,0005 which is lower than 0,05 alongside its positive coefficient value.

The third variable, firm size, doesn't influence corporate profitability significantly. This statement is based on the test result that shows the profitability value of 0,88 which is greater than 0,05 as the standard error. For the last independent variable, asset growth gives significant influence on corporate profitability. As shown in Table 11, the probability value for asset growth is 0.0175. This value is lower than the standard error of 0,05, and the coefficient is positive. Based on that test result, it can be concluded that asset growth significantly positively influences corporate profitability.

**Table 11. Common Effect Model Regression**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0,125929	0,237808	0,529540	0,5992
Liquidity	-0,024845	0,010220	-2,430929	0,0194
Leverage	0,018520	0,004865	3,806689	0,0005
Firm Size	0,001275	0,008408	0,151678	0,8802
Asset Growth	0,078099	0,031561	2,474542	0,0175
R Squared	: 0,551586			
Prob(F-statistic)	: 0,000001			

Source: Common Effect Model Regression Eviews-12 (2025)

## DISCUSSION

Liquidity, as the first independent variable, gives significant negative influence on corporate profitability. Since the statistical test result shows a negative effect between the variables, the first hypothesis (H1) is rejected. Excessive idle current assets can depress profitability by reducing the company's opportunities to invest in ways that could increase it. Retained current assets do not provide any return, or in other words, are idle assets. Management must be prepared to accept higher risks in carrying out operational projects with high potential returns. This means that if a company wants to increase profitability, it must be prepared to accept higher liquidation risk by reducing its liquidity to a certain level, in accordance with internal management's strategy and measures. This result is aligned and supported by a previous study. Studies made by Wage et al. (2021), Septiano et al. (2022), and Felicia and Viriany (2023) showed the significant negative influence of liquidity on profitability.

Leverage has a positive effect on profitability, thus H2 is accepted. Based on the descriptive test results, the average debt-to-equity ratio of companies in the technology sector on the IDX during 2020-2023 was 1.45, indicating relatively high leverage. Therefore, it is

natural for companies in the technology sector to use debt to increase profitability, which is why leverage has a positive effect on profitability in this study. The use of debt is beneficial for carrying out expansion and investment, which will provide profitable returns for the company. Ross et al. (2010) explain that leverage can increase a company's return on equity if the company can maintain stable profit margins and asset turnover. This study's results on leverage are also consistent with and supported by a previous study. Sabakodi and Andreas (2024) reported that leverage significantly influences profitability, with a positive effect.

Company size does not significantly influence profitability; H3 is rejected. Ross et al. (2010), in their discussion of Du Pont's identity, explain that ROE is influenced not only by the company's own assets but also by leverage, operational efficiency (profit margin), and asset-use efficiency (asset turnover). High or low profitability is not only influenced by company size, but also by the company's debt management. Companies with large assets but high debt levels can also have small profit margins due to heavy financial burdens, so ROE is not significantly influenced by total assets. Asset turnover is also a factor influencing ROE, according to DuPont's analysis. Increased company assets, if not followed by a significant increase in sales, will not have a significant effect on company profitability. This study result aligns with and is supported by Asiska and Handayani (2023) and Hermanto and Dewinta (2023), who found that firm size doesn't significantly influence profitability.

Asset growth has a positive effect on profitability, thus H4 is accepted. Asset growth and profitability are closely related. The statement of changes in equity explains that a company's retained earnings in one period will be converted into company assets for the next period. Therefore, if retained earnings increase, the company's assets will increase. Conversely, increased asset growth tends to increase profitability. Based on agency theory, management will strive to maximize asset management to increase company profitability. Therefore, the company's expansion and increased investment, well-managed, will provide profitable returns. This result is also aligned and supported by the previous study result. Research by Karlina et al. (2023) and Setiyowati and Indiraswari (2024) shows that asset growth significantly influences a company's profitability, with a positive effect.

## IMPLICATIONS

This research provides insight into the relationship between independent and dependent variables in a model designed to explain profitability inconsistency in the rapidly growing technology sector. This research also provides empirical contributions that support the implications of the pecking order theory and agency theory. This research supports the implications of the pecking order theory regarding corporate behavior towards financing decisions and its relationship to profitability. This research also supports the implications of agency theory regarding agency costs, which explain that management will strive to maximize principal profits, one of which is by increasing profitability. The partial relationships between the independent variables and profitability support the implications of each theory, as explained in detail in the results and discussion sections. In addition to theoretical benefits, this research is also useful practically for companies in providing an overview of factors that can influence company profitability in the technology sector, thereby helping to manage corporate finances. This research is also useful for investors who use a company's financial condition as an aspect to determine investment decisions in technology sector companies. In addition, this research provides a useful basis for future research that incorporates different variables, time spans, and scopes, based on phenomena that may develop in the future.

## REKOMENDATIONS

Based on the limitations of this study, several suggestions can be used for further research. First, future research could increase the sample size by extending the study period to 2024 and beyond. Future research could also increase the number of companies listed in the

technology sector in the future. This way, the tests conducted could reflect more accurate, valid, and reliable results on the influence of internal factors on profitability. Second, future research could use other research objects in line with emerging phenomena. Third, future research could include other relevant independent variables based on the characteristics of companies in the sector or industry under study, such as intellectual capital.

This research has several limitations. First, this study provides empirical evidence on several internal factors influencing the profitability of technology-sector companies listed on the Indonesia Stock Exchange from 2020-2023. The research object is conditioned according to the profitability phenomenon addressed in this study. Therefore, the results of this study cannot be fully applied to other industries or sectors with significantly different conditions. Another limitation is that during data collection from companies' financial reports, several reports were found to be inaccessible or unpublished, preventing the measurement of variables and reducing the sample size.

## CONCLUSION

The purpose of this study is to examine, analyse, and provide empirical evidence on the influence of several internal company factors on profitability among technology companies listed on the Indonesia Stock Exchange in 2020-2023. This study was structured using four independent variables: liquidity, leverage, company size, and asset growth. The objects of this study are 47 companies listed in the technology sector on the Indonesian Stock Exchange. This study found that liquidity has a positive effect on profitability. Leverage in this study has a positive effect on profitability. Furthermore, company size does not have a significant effect on profitability. The final variable, asset growth, has a positive effect on company profitability.

## REFERENCES

- Adria, C., & Susanto, L. (2020). Pengaruh *Leverage*, Likuiditas, Ukuran Perusahaan, dan Perputaran Total Aset Terhadap Profitabilitas. *Jurnal Multiparadigma Akuntansi Tarumanegara*, 2(1), 393-400. <https://journal.untar.ac.id/index.php/jpa/article/view/7168>.
- Afrianti, D., & Purwaningsih, E. (2022). Pengaruh *Leverage*, Likuiditas, dan Pertumbuhan Aset Terhadap Profitabilitas. *Jurnal Ilmiah MEA (Manajemen, Ekonomi, dan Akuntansi)*, 6(2), 1781-1796. <https://www.journal.stiemb.ac.id/index.php/mea/article/view/2343>.
- Alarussi, A. S., & Alhaderi, S. M. (2018). Factors Affecting Profitability in Malaysia. *Journal of Economic Studies*. <https://doi.org/10.1108/JES-05-2017-0124>.
- Asiska, V. D., & Handayani, N. (2023). Pengaruh *Leverage*, Firm Size, dan Likuiditas Terhadap Profitabilitas Pada Perusahaan Perbankan. *Jurnal Ilmu dan Riset Akuntansi*, 12(9), 1-15. <https://jurnalmahasiswa.stiesia.ac.id/index.php/jira/article/view/5537>.
- Bougie, R., & Sekaran, U. (2020). *Research Methods For Business (A Skill Building Approach) 8th Edition*. Hoboken: John Wiley & Sons.
- Brigham, E. F., & Houston, J. F. (2019). *Fundamental of Financial Management 15e*. Boston: Cengage Learning.
- Ermaini, S. A., Sari, M. I., & Hafidzi, A. H. (2021). *Dasar-Dasar Manajemen Keuangan*. DI Yogyakarta: Penerbit Samudra biru.
- Felicia & Viriany. (2023). Pengaruh Likuiditas dan Ukuran Perusahaan Terhadap Profitabilitas Perusahaan Dengan Struktur Modal Sebagai Variabel Moderasi. *Jurnal Multiparadigma Akuntansi*, 5(3), 1550-1557.
- Firjatullah, N. R. (2022). Pecking Order Theory vs Trade-Off Theory In Capital Structure. [https://www.researchgate.net/publication/357734191\\_PECKING\\_ORDER\\_THEORY\\_VS\\_TRADE-OFF\\_THEORY\\_IN\\_CAPITAL\\_STRUCTURE](https://www.researchgate.net/publication/357734191_PECKING_ORDER_THEORY_VS_TRADE-OFF_THEORY_IN_CAPITAL_STRUCTURE).
- Hasbiah, H. (2022). Analysis of Liquidity, *Leverage*, and Activity Ratio on the Financial Profitability of Indonesian Telecommunications Industry. *Golden Ratio of Finance*

- Management*, 2(1), 61-76. <https://doi.org/10.52970/grfm.v2i1.203>.
- Hermanto, & Dewinta, A. (2023). Pengaruh Ukuran Perusahaan, Efisiensi Perusahaan, Likuiditas, Kekuatan Pasar, Pertumbuhan Perusahaan, dan leverage Terhadap Profitabilitas. *Jurnal Ilmiah MEA (Manajemen, Ekonomi, dan Akuntansi)*, 845-871. <https://doi.org/10.31955/mea.v7i2.3060>.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of Firm: Managerial Behavior, Agency Cost and Ownership Structure. *Journal of Financial Economics*, 3(4), 305-360. <https://www.sfu.ca/~wainwrig/Econ400/jensen-meckling.pdf>.
- Karlina, L., & Sugiharti, H. (2023). Pengaruh *Leverage*, Pertumbuhan Aset, dan Pertumbuhan Penjualan Terhadap Profitabilitas pada Perusahaan Holding Company (Studi pada Perusahaan yang Terdaftar di BEI Periode 2017 – 2021). *Jurnal Pendidikan Akuntansi dan Keuangan*, 11(2), 208-223. <https://ejournal.upi.edu/index.php/JPAK/article/view/60047>.
- Lestari, I. A., & Agustiningih, W. (2023). Pengaruh Struktur Modal, Ukuran Perusahaan, dan Perencanaan Pajak Terhadap Profitabilitas. *AKURASI: Jurnal Riset Akuntansi dan Keuangan*, 5(1), 113-128. <https://doi.org/10.36407/akurasi.v5i2.909>.
- McEvoy, D. M. (2018). *A Guide to Business Statistic*. Hoboken: John Wiley & Sons.
- Nugraha, N. M., & Riyadhi, M. R. (2019). The Effect of Cash Flow, Company Size, and Profit on Stock Prices in SOE Companies listed on BEI for the 2013-2017 Period. *International Journal of Innovation, Creativity, and Change*, 6(7), 130-141. [https://www.ijicc.net/images/Vol6Iss7/6711\\_Nugraha\\_2019\\_E\\_R.pdf](https://www.ijicc.net/images/Vol6Iss7/6711_Nugraha_2019_E_R.pdf).
- Pradnyaswari, N. M., & Dana, I. M. (2022). Pengaruh Likuiditas, Struktur Modal, Ukuran Perusahaan, dan *Leverage* Terhadap Profitabilitas Pada Perusahaan Sub Sektor Otomotif. *E-Jurnal Manajemen*, 11(3), 505-525. <https://doi.org/10.24843/EJMUNUD.2022.v11.i03.p05>.
- Ramadhanti, A. A., Amaliawiati, L., & Nugraha, N. M. (2021). Inflation, *Leverage*, and Company Size, and Their Effect on Profitability. *Journal of Applied Accounting and Taxation*, 6(1), 63-70. <https://doi.org/10.30871/jaat.v6i1.2854>.
- Ross, S. A., Westerfield, R. W., & Jordan, B. D. (2010). *Fundamentals of Corporate Finance*. New York: Mcgraw Hill.
- Sabakodi, M. Y., & Andreas, H. H. (2024). Pengaruh Struktur Modal Terhadap Profitabilitas Perusahaan Manufaktur Tahun 2019-2022. *Owner: Riset & Jurnal Akuntansi*, 377-390. <https://doi.org/10.33395/owner.v8i1.1934>.
- Septiano, R., Maheltra, W. O., & Sari, L. (2022). Pengaruh Modal Kerja dan Likuiditas Terhadap Profitabilitas Pada Perusahaan Manufaktur Sub Sektor Farmasi Tahun 2016-2020. *Jurnal Ilmu Manajemen Terapan*, 3(4), 388-398. <https://doi.org/10.31933/jimt.v3i4.956>.
- Setiyowati, S. W., & Indiraswari, S. D. (2024). *Leverage* dan Pertumbuhan Aset Terhadap Profitabilitas dan Nilai Perusahaan. *Jurnal Riset Pendidikan Ekonomi*, 9(1), 23-30. <https://doi.org/10.21067/jrpe.v9i1.9021>.
- Wage, S., Toni, H., & Rahmat. (2021). Pengaruh Likuiditas, Solvabilitas, Aktivitas, dan Ukuran Perusahaan Terhadap Profitabilitas Perusahaan di Bursa Efek Indonesia. *Jurnal Akuntansi Barelang*, 6(1), 41-49. <https://doi.org/10.33884/jab.v6i1.4558>.