



## The Effects of Business Risk, Debt Ratio, and Company Size on Corporate Financial Performance (A Study of Food and Beverage Companies Listed on the Indonesian Stock Exchange From 2015 to 2024)

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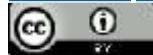
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### ABSTRACT

The objective of this study is to examine the effects of business risk, debt ratios, and firm size on the financial performance of food and beverage companies listed on the Indonesia Stock Exchange during the period 2015–2024. This is a quantitative descriptive study using purposive sampling, resulting in one sample from the food and beverage sector. The data analysis technique employed was multiple linear regression using SPSS 26 software. The data used were secondary data obtained from [www.idx.co.id](http://www.idx.co.id). The study found that business risk, debt ratios, and firm size significantly influence a company's financial performance.

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## **INTRODUCTION**

Food products have become more diverse and plentiful thanks to advancements in food technology. Meanwhile, beverage products have also undergone a transformation to meet the needs of consumers who are increasingly health-conscious, such as healthy and low-sugar beverages. The financial performance of the food and beverage industry is generally based on financial analysis, which helps evaluate a company's financial performance.

A company's financial performance reflects the health and operational effectiveness of its operations in generating profits and managing assets and liabilities. Financial performance is typically evaluated through the analysis of financial statements, including the balance sheet, income statement, and cash flow statement. Key indicators such as profitability, liquidity, solvency, and operational efficiency serve as benchmarks for assessing a company's stability and growth.

Earnings management is often carried out through the manipulation of financial statements within the limits permitted by accounting principles, with the aim of providing misleading information to financial statement users for the benefit of management.

Business risks can stem from various factors, such as economic changes, market fluctuations, industry competition, regulatory changes, as well as operational and technological risks. If not managed properly, these risks can lead to a decline in revenue, increased costs, and disruptions in cash flow, which ultimately weaken the company's financial position.

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Financial structure is said to be determined by the size of the company. This definition makes it clear that firm size is a scale that establishes a company's size, as seen through equity value, sales value, number of employees, and total asset value—contextual variables that measure the demands for an organization's services or products.



Figure 1. Financial Performance

Source: Indonesia Stock Exchange, processed data on the financial performance of the food and beverage sector, 2014–2024

The financial performance of the food and beverage sector declined from 2015 to 2016 due to a decrease in net profit. An increase occurred from 2016 to 2017 due to rising net profit; in the following year, financial performance fluctuated.

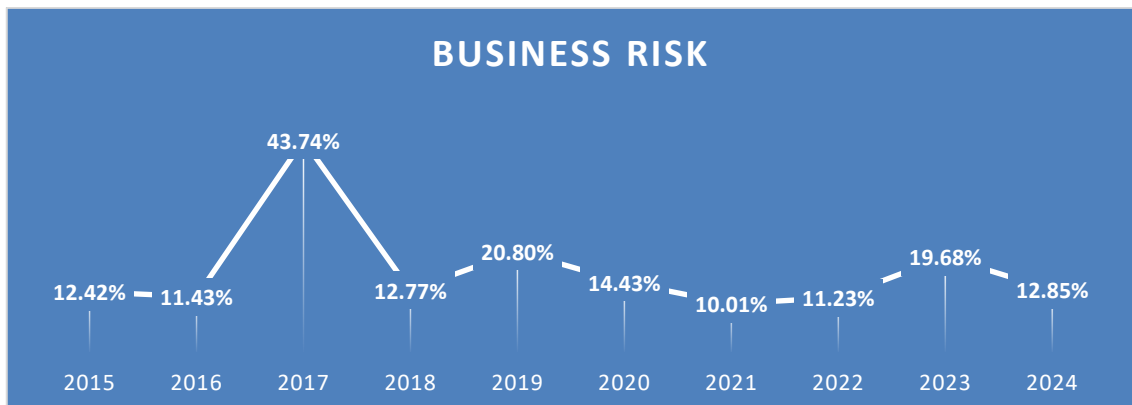


Figure 2. Business Risk Chart

Source: Indonesia Stock Exchange (IDX), processed data on business risk in the food and beverage sector for 2015–2024

From 2015 to 2016, business risk decreased due to a decline in basic earning power, as evidenced by an increase in earnings before income tax resulting from the effective use of company assets. Consequently, business risk became low as the company successfully generated profits and avoided using debt for its business operations. From 2015 to 2016, the value of basic earning power declined, indicating an increase in business risk. In the following years, business risk fluctuated.

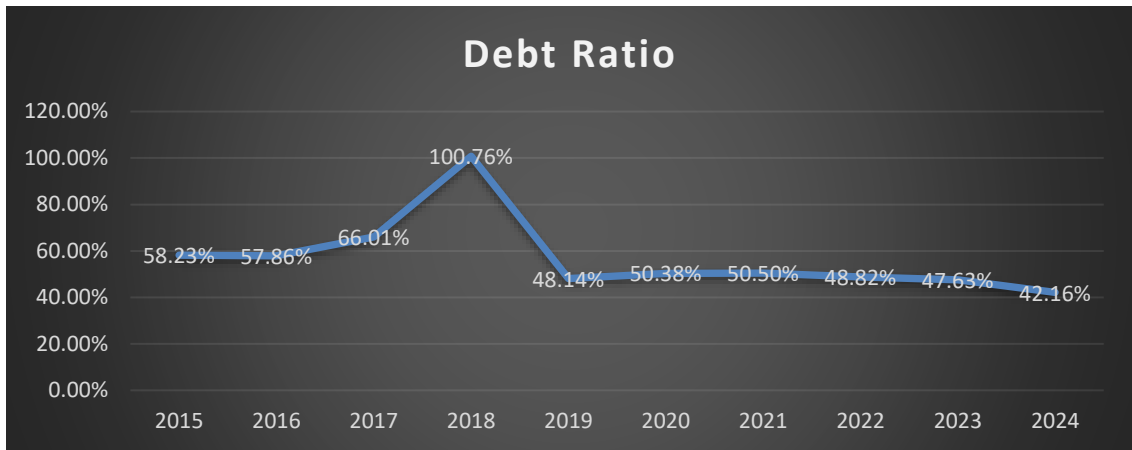


Figure 3. Debt Ratio Chart

Source: Indonesia Stock Exchange (IDX), Processed Data on Debt Ratios for the Food and Beverage Sector, 2015–2024

From 2018 to 2019, the capital structure declined due to a decrease in total debt and an increase in total assets; from 2017 to 2018, it increased due to rising debt. In the following years, the capital structure fluctuated.

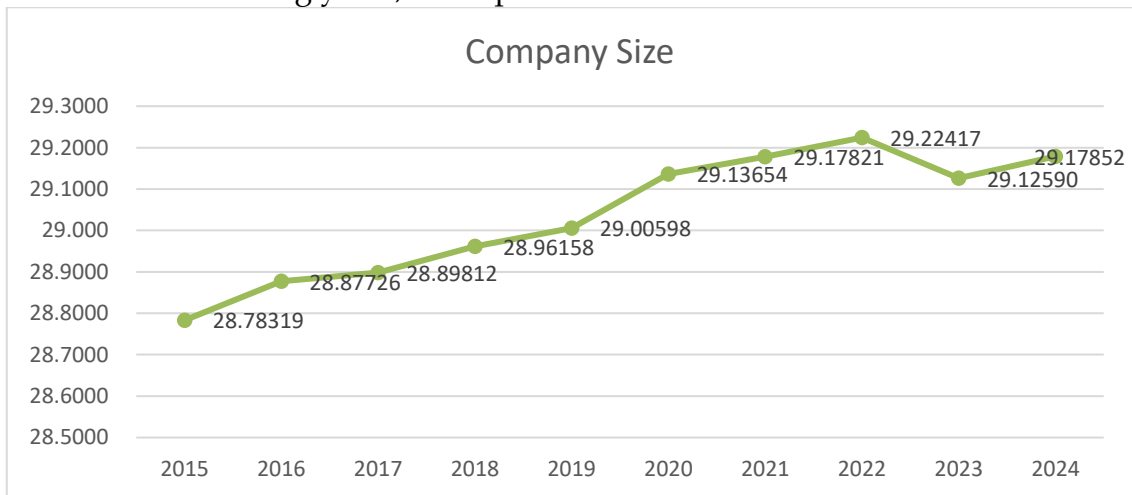


Figure 4. Company Size Chart

Source: Indonesia Stock Exchange Processed Data on Debt Ratios in the Food and Drink Industry, 2015–2024

The company's size grew between 2019 and 2020 as a result of growing total assets; it shrank between 2022 and 2023 as a result of decreasing total assets. The size of the corporation varied in the years that followed.

Research Questions: Does a company's financial performance get impacted by business risk? Does a company's financial performance depend on its debt ratio? Does a company's size have an impact on its financial performance?

Research Goals: to ascertain whether a company's financial performance is impacted by business risk; whether a company's financial performance is impacted by the debt ratio; and whether a company's financial performance is impacted by its size.

## LITERATURE REVIEW

### *Financial Performance*

According to Kasmir (2018), return on assets is a type of profitability ratio used to measure management's ability to generate profits for the company. A company is an organization that operates with the goal of generating profits by selling products in the form of goods or services to its customers. Return on assets is: "A ratio that assesses the extent to which invested assets are capable of generating returns in line with expectations," Erol Koycu and Tugba Nur (2025:1148). The formula for Return on Assets is as follows:

$$\text{Return on Assets} = (\text{NET PROFIT}) / (\text{TOTAL ASSETS}) \times 100\%$$

Source: Erol Koycu and Tugba Nur 2025, (2025:1154)

### *Business Risk*

According to Ratri and Ari (2017), business risk refers to the risk a company faces when it is unable to cover its operating costs, and it is influenced by the stability of revenue and expenses. Companies with high operating profits have lower business risk because they are able to cover their operating costs. Conversely, companies with low operating profits tend to have higher business risk because they are considered unable to cover their operating costs. A company's business risk can be assessed by calculating EBIT divided by total assets; this ratio indicates the level of business risk relative to the company's total assets. This indicator is known as the Basic Earning Power Ratio (BEPR). The formula is as follows:

$$\text{BEPR} = \text{EBIT} / (\text{TOTAL ASSETS})$$

Source: Ratri and Ari, 2017

### *Debt Ratio*

The debt ratio measures a company's ability to utilize assets or capital with fixed costs (debt or equity) to achieve its objective of maximizing the company's value. It is expected that after a company applies this leverage, its wealth will also increase. The leverage ratio is calculated as:

$$\text{LEVERAGE} = (\text{TOTAL DEBT}) / (\text{TOTAL ASSETS})$$

Source: Fatimah Zahrah Dul Muid 2017:44

### *Company Size*

Firm size is a measure of a company based on its market capitalization. Company size is measured using the natural logarithm of the company's total assets. The logarithmic form is used because, generally, a company's asset value is very large, so taking the natural logarithm of total assets standardizes the value relative to other variables (Sugiarto, 2018:98).

$$\text{Firm Size} = \text{Ln Total Assets}$$

Source: Sugiarto, 2018:145

### *Hypothesis*

H1: From 2015 to 2024, the financial performance of food and beverage companies listed on the Indonesia Stock Exchange is impacted by business risk.

H2: From 2015 to 2024, the debt ratio had an impact on the financial performance of food and beverage companies listed on the Indonesia Stock Exchange.

H3: For food and beverage firms listed on the Indonesia Stock Exchange between 2015 and 2024, firm size has an impact on corporate financial performance.

**Conceptual Framework**

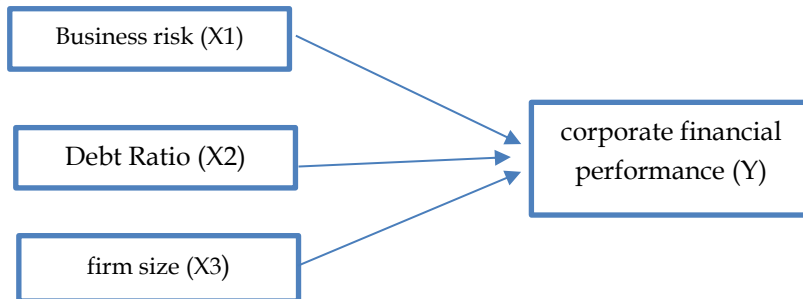


Figure 5. Conceptual Framework

**METHODOLOGY**

A quantitative research approach was used by the investigator. The information needed by the researcher came from the company's financial statements that were released between 2015 and 2024. The website [www.idx.co.id](http://www.idx.co.id) provided the data for the years 2013 through 2022. The companies listed on the Indonesia Stock Exchange between 2015 and 2024 are in the food and beverage industry.

This study employed an associative research design with a quantitative approach. Associative research is a type of study aimed at identifying relationships among three or more variables.

**RESEARCH RESULTS**

*Descriptive Analysis*

Table 1. Descriptive Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Business Risk	10	-.06	.20	.1150	.07184
Debt Ratio	10	.64	2.10	1.0810	.47674
Company Size	10	28.78	29.22	29.0380	.15267
Company Financial Performance	10	-.09	.15	.0830	.06617
Valid N (listwise)	10				

The results of the descriptive analysis indicate that the food and beverage companies in this study comprised a sample size (N) of 10. The average financial performance of the companies was 0.0830, the average business risk was 0.1150, the average debt ratio was 1.0810, and the average company size was 29.0380.

### Normality Test

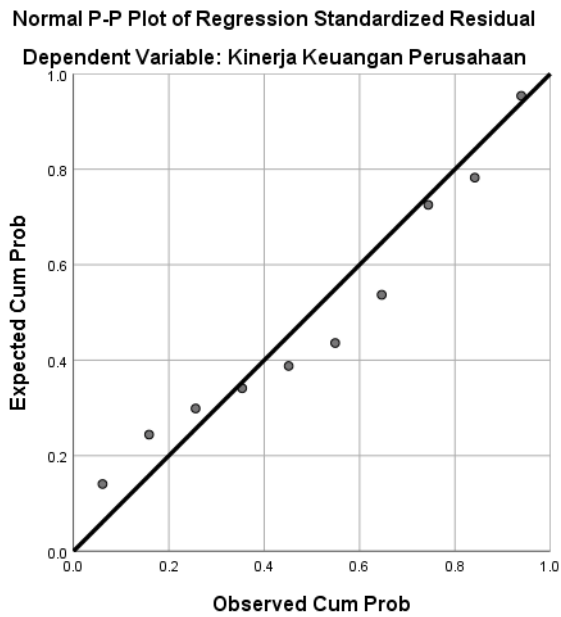


Figure 6. Normality Test

From the figure above, it can be seen that the residual values on the plot follow a diagonal line, and based on the results of the histogram test shown above, the curve forms a normal bell curve, indicating a normal distribution.

### Heteroscedasticity Test

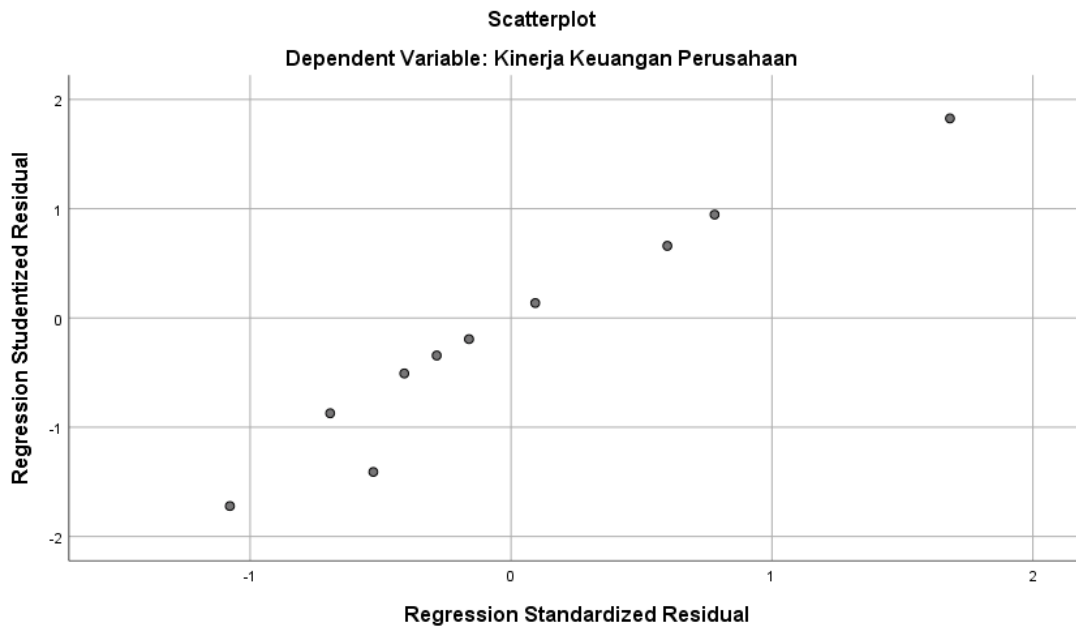


Figure 7. Heteroscedasticity Test

Based on the graph, the data points are scattered randomly and do not form a clear pattern; they are distributed both above and below the 0 mark on the Y-axis, which indicates that there is no heteroscedasticity.

### Multicollinearity Test

Table 2. Multicollinearity Test

Collinearity Statistics	
Tolerance	VIF
.920	1.087
.673	1.487
.635	1.575

It is clear from the multicollinearity test findings above that there is no multicollinearity in the data because the tolerance value was  $0.635 > 0.10$  and the VIF value was  $1.575 < 10$ .

### Hypothesis Testing

#### t-Test

table 3. t-Test Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t
		B	Std. Error	Beta	
1	(Constant)	1.337	1.115		1.198
	Risiko Bisnis	.920	.068	.999	13.453
	Rasio Hutang	.025	.012	.181	2.078
	Ukuran Perusahaan	-.048	.039	-.110	-1.232

From the table, we can conclude that business risk variables have a partial effect on the company's financial performance, but debt ratios and company size do not have a partial effect on the company's financial performance.

#### F-Test

Table 4. F-Test ANOVA<sup>a</sup>

Model		Sum of Squares		Mean Square	F	Sig.
1	Regression	.038	3	.013	63.691	.000 <sup>b</sup>
	Residual	.001	6	.000		
	Total	.039	9			

a. Dependent Variable: Kinerja Keuangan Perusahaan

b. Predictors: (Constant), Ukuran Perusahaan, Risiko Bisnis, Rasio Hutang

According to the preceding table, the probability value is  $0.000 < 0.05$  and the computed F-value of 63.691 is higher than the critical F-value of 2.47. This suggests that the dependent variable is significantly impacted by the independent variables taken together.

**The Coefficient of Determination Test**

**Table 5: Coefficient of Determination Test**

<b>Model Summary<sup>b</sup></b>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.985 <sup>a</sup>	.970	.954	.01414	1.769

a. Predictors: (Constant), Ukuran Perusahaan, Risiko Bisnis, Rasio Hutang

b. Dependent Variable: Kinerja Keuangan Perusahaan

Based on an R-squared value of 0.954, or 95.4%, it can be concluded that business risk, debt ratio, and firm size account for 0.954, or 95.4%, of the variation in the firm's financial performance, while the remaining 4.6% is attributed to other factors not examined in this study.

**DISCUSSION**

***The Effect of Business Risk on a Company's Financial Performance***

Hypothesis H1 is accepted and H0 is rejected, meaning that business risk has a positive and significant effect on a company's financial performance.

***The Effect of Debt Ratio on a Company's Financial Performance***

Hypothesis H2 is rejected and H0 is accepted, meaning that the debt ratio does not have a positive and significant effect on a company's financial performance.

***The Effect of Business Risk, Debt Ratio, and Firm Size on a Company's Financial Performance***

Hypothesis H3 is rejected and H0 is accepted, meaning that firm size does not have a positive and significant effect on a company's financial performance.

**CONCLUSIONS AND RECOMMENDATIONS**

1. A company's financial performance is positively and significantly impacted by business risk.
2. A company's financial performance is not positively and significantly impacted by the debt ratio.
3. A company's financial performance is not positively and significantly impacted by its size.

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