# EFFECT OF LEVERAGE, LIQUIDITY, AND COMPANY SIZE ON PROFITABILITY IN BANKING COMPANIES LISTED IN IDX 2017-2019

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**Abstract -** *This studt is aimed to test the effect of leverage, liquidity, and size company on banking companies on the www.idx.co.id. This research uses associative statistics and quantitative approach, descriptive statistic, model test (chow test, hausman test, and lagrange multiplier), multiple linear regression, and then uji t, uji f, and test of the coefficient of determination with E-views9. The population of this study is banking companies listed on BEI 2017-2019. The sample used in the study is purpose sampling with a sample size 29 banking companies. The data used in this reseach is secondary data. And then the technique of collecting data is literature study and documentation the website www.idx.co.id. The result of this is leverage, liquidity, and company size have a positive and insignificant effect on profitability. And then the simultaneous result is leverage, liquidity, and company size have a positif and significant effect on profitability.*

**Keywords: Leverage, Liquidity, Company Size, Profitability**

**Abstrak -** *Penelitian ini bertujuan untuk menguji apakah pengaruh leverage, likuiditas, dan ukuran perusahaan pada perusahaan perbankan yang terdaftar di BEI. Penelitian ini menggunakan jenis penelitian asosiatif dengan pendekatan kuantitatif, yang diukur dengan menggunakan statistik deskriptif, uji kesesuaian model (uji chow, uji hausman, dan uji lagrange multiplier), regresi linear berganda, dan kemudian dilanjutkan dengan uji t, uji f, dan uji koefisien determinasi dengan E-views9. Populasi dari penelitian ini adalah perusahaan perbankan yang terdaftar di BEI 2017-2019. Sampel yang digunakan dalam penelitian ini adalah purpose sampling dengan jumlah sample 29 perusahaan perbankan. Data yang digunakan adalah data sekunder. Selanjutnya teknik pengumpulan data melalui studi kepustakaan dan metoda dokumentasian melalui situs website www.idx.co.id. Hasil penelitian ini menyatakan bahwa leverage, likuiditas, dan ukuran perusahaan berpengaruh positif dan tidak signifikan terhadap profitabilitas. Sedangkan hasil simultan menyatakan bahwa leverage, likuiditas, dan ukuran perusahaan berpengaruh positif dan signifikan terhadap profitabilitas.*

**Kata Kunci: leverage, Likuiditas, Ukuran Perusahaan, Profitabilitas**

## I. Introduction

The Bank has a role to play in Indonesia's economic growth. Bank companies not only have a role, but also have tasks for the people to raise and channel funds effectively and efficiently in improving people's lives and economic growth in Indonesia. The Bank in carrying out its function as an intermediary institution, can also carry out its business activities into public trust. Banks are financial institutions or business entities whose wealth is mainly in the form of financial assets (financial assets) and generate profit as well as social, so not only looking for profit, but can improve the survival of the people. The purpose of the bank company is to obtain profit ( profit) as much as possible, so that it can run its business properly in order to improve the company's performance better. The growth of a company size is influenced by the ability of the company's management performance in obtaining profit. Therefore, every company is always required to obtain the desired profit in order to improve its performance efficiency. To measure a maximum profit in a banking company, it can be measured by using profitability.

Profitability can be measured ROA because the Bank as the supervisor and supervisor of the bank prefers the profitability value of a bank with assets whose funds are mostly from public funds. The greater the profitability, the better the condition of a company. If profitability declines, then the company is in poor performance by management. Therefore, ROA has a chance of survival for a long period of time. Banking industry because bank activities are very necessary for real sector economic activities.

Leverage is used as a measure of a company's ability to the extent to which assets have been paid by debt. The higher the leverage, the lower the level of profitability. The problem faced by a company is in the debt in its source of funds, it gives a considerable profit. But if the source of funds is not done well, then it will have an effect on the decline of profitability for the company.

Liquidity is used as a gauge of a bank's ability to pay short-term maturing liabilities. The problem facing banks in liquidity is that interest rates go up. When economic growth slows, demand for credit declines. The increase in credit interest leaves banks facing an increase in the ratio of non-performing loans, thus affecting profitability. Therefore, banks need to be considered in maintaining the viability of liquidity needs within a certain period of time.

The size of the Company is a small size of the company that can be seen from how big the total assets owned by the company. The size of the business can be reviewed from the field of business carried out. Determination of the small scale of the company can be determined based on total sales, total assets, average sales rate. The higher the total assets of a company, the greater the size of the banking company.

According to research conducted by Saraswati (2017) stated that measuring and analyzing leverage has no significant effect on profitability. But liquidity has a positive effect on profitability. There is a significant influence between the company's size variables on profitability. However, research conducted by Mahendra (2018) stated that leverage, liquidity, and company size partially affect profitability.

Researchers are interested in re-examining the leverage, liquidity, and size of the company to profitability in banking companies in IDX because they want to know the performance of good banking companies, so that they can know the development of banking companies listed in the IDX by using different analytical methods and different periods of 2017-2019. It is growing widely with the improvement of financial performance. Financial performance can be analyzed through financial statements using financial ratio analysis. Financial ratio is an aspect that affects the financial condition of the bank to the level of health of the bank. Ratio analysis describes a relationship between a certain amount and another amount by using an analysis tool in the form of a ratio that describes to the user the good or bad state of a company's financial position.

Here's an example of the profitability phenomenon that occurs in PT companies. Bank Permata,Tbk increased profitability by 0.93% to 2019. The finance director of the permata bank company, Lea Kusumawijaya, explained that the profitability of Bank Permata until the fourth quarter of 2019 grew significantly in the growth of business revenue development. According to him, the increase occurred due to the consistent quality of assets that improved and the cost of credit reserves decreased. When profitability is experiencing ups or downs it definitely has problems in performance. The higher the profitability, the better the company's financial performance because the bank is able to generate a net profit from the management of all assets owned by the banking company, so that it can become a better company.

The formulation of the problem in this study is whether leverage affects profitability in banking companies listed on the IDX in 2017-2019. Does liquidity affect profitability in banking companies listed on the IDX in 2017-2019. Whether the size of the company affects profitability in

banking companies listed on the IDX in 2017-2019. Whether the leverage, liquidity, and size of the company affect the profitability of banking companies listed in the IDX in 2017-2019. The purpose of researchers in this study is to find out the influence of leverage on profitability on banking companies listed in the IDX in 2017-2019. To analyze and find out the effect of liquidity on profitability in banking companies listed on the IDX in 2017-2019. To analyze and find out the effect of company size on profitability on banking companies listed in idx in 2017-2019. To know and analyze the leverage, liquidity, and size of the company to profitability in banking companies listed in the IDX in 2017-2019.

## II. THEORETICAL BASIS
### Balance Theory

Balance Theory is something that explains about the company how to offset between debt and its own capital (Kautsar, 2014). As far as the benefits are still large, then the debt will increase. If the sacrifice of debt increases, then the debt can not be added again. The sacrifice was caused by agency costs and bankruptcy costs. Therefore, the high level of bankruptcy costs, the cost of capital itself will increase. Balancing theory in this study to explain about how leverage to profitability.

### Signaling Theory

Spence (1973) explained that Signaling Theory is a company that signals to users of financial statements that aims to realize the desire of the owner of the company to be better than other companies. The Company informs how the policy is conveyed in the measurement of a company with external funds i.e. debt by means of financial statements has implemented an accounting policy (the prudence of the company for future uncertainty) that will obtain good quality profit. Therefore, investors receive a good signal to the company to make the company more developed.

### Organizational Theory

Organizational Theory is a theory that connects profitability with the size of the company related to corporate transaction costs, agent fees, and cost control in the form of resources and critical resources theory.

### Accounting

Kieso (2016 :2) explained that accounting consists of three basic activities, namely identification, recording and communication of economic events of an organization to interested parties. The Company identifies economic events in accordance with its business activities and records such events to provide a record of financial activities. Recording is carried out systematically, chronologically every event, in units of currency. Finally, the communication of the information pool to interested parties in the form of accounting reports or known as financial statements. This means that accounting is a process of recording, classifying, summarizing, processing and presenting data, transactions and events related to finance so that it can be used by people who use it easily understandably for decision making and other purposes.

Suwardjono (2015:3) explained that accounting is a set that studies the provision of services in the form of quantitative financial information of organizational units in a particular country environment and how to convey (report) such information to interested parties to be the basis for economic development. Which means accounting is the process of identifying, ratifying, measuring, acknowledging, classifying, merging, conclating, and presenting financial data consisting of events, transactions, or operations of an organizational unit in a certain way to produce accurate and relevant information for interested parties.

**Analysis of Financial Statements**

PSAK No. 1 (2015:2) explains that financial statements are part of the financial reporting process. The complete financial statements consist of balance sheets, income statements, changes in financial position and other reports. The purpose of the financial statements based on PSAK (2015) is to provide or convey information about the financial position, financial performance and cash flow of entities that are useful to most report users in the discussion of decisions.

Kasmir (2012) explained that the purpose of financial statements analysis is to know the company's financial position in a period whether the assets, liabilities, capital, or business results have been achieved for several periods and to conduct a management performance assessment in the future whether it can run very well or not. In addition to assessing management performance, the purpose of analyzing other financial statements is to know and understand what weaknesses are related to the company's shortcomings. A good analysis report usually consists of six parts, namely:

1. Executive Summary is a brief summary that focuses on the results of the analysis that is important to start the analysis report.

2. Preliminary Analysis that contains information about the background of industrial companies and the economic environment.

3. Evidence in the form of financial statements and information used in the analysis including ratios, statistics, and the entire series of analytical measures.

4. Assumptions that identify important assumptions for the company's industry and business environment as well as other important assumptions for estimation including the company's business strategy.

5. Factors that support and do not benefit are important, both quantitative and qualitative for the performance of the company that is usually made based on the area of analysis.

6. Conclusions in the form of forecasts, estimates, achievements, and conclusions obtained from all parts of the previous report.

**Definition Leverage**

Kasmir (2015:151) explains that leverage is a measuring tool to measure how much of a company's assets have been financed by corporate debt. Overcharging will have an impact on the company because it has extreme debt categories. Ektrim debt is a company that is at a higher level of debt, so it is difficult to eliminate the debt burden. As for the company's way of stabilizing the amount of debt, for that the company should take from sources that can be used to finance the company's debt. In addition, leverage can be measured using DAR. DAR can be emphasized from the company's debt funding by calculating the percentage of fixed assets with debt. In other words, no matter how much the company's assets are paid by the company and how much the company owes will affect asset management. Companies that have a high level of leverage make profit equalization because the company is threatened with default so management makes policy decisions to increase revenue.

**Types of Leverage**

Kasmir (2015) explained that there are several types of Leverage as follows:

1. Debt to Assets Ratio or DAR to measure the percentage comparison between total payable and total assets. Total debt has current liabilities and long-term liabilities. Creditors are happier, if the debt is smaller because the smaller the DAR, then the level of loss will be less

experienced by the creditor if the company is liquidated. On the other hand, shareholders will get more leverage because shareholders will get opportunities in profit. In this study, leverage can be measured using DAR because it will be able to see how much ability the company has to be able to solve problems in long-term debt. the larger a DAR, it can be indicated that the greater the total assets to finance a debt of that company. The smaller the total assets financed by the capital itself, the higher the risk level of a company to solve its long-term debt problem and the greater the interest burden of debt that must be borne by the company. The way to calculate the Debt to Assets Ratio is as follows:

$$\frac{\text{Total payable}}{\text{Total assets}}$$

2. Debt to Equity Ratio or DER to explain that the ability of the company in its own equity as collateral for the payable. This means that DER is used to find out how much money the borrower (creditor) has prepared with the owner of the company. This DER is used to compare all liabilities with the entire amount of equity. The formula for calculating the Debt to Equity Ratio is as follows:

$$\frac{\text{Total payable}}{\text{Total Equity}}$$

3. Long Term Debt to Equity Ratio is a comparison between long-term debt and own equity provided by the company. In addition, the Long Term Debt to Equity Ratio also has the goal of measuring the amount of capital itself as a guarantee of long-term liabilities by comparing long-term liabilities with own capital. Formulation to calculate how Long Term Debt to Equity Ratio as follows:

$$\frac{\text{Long-Term Debt}}{\text{Equity}}$$

**Definition Liquidity**

Subramanyam (2010) explained that liquidity is the ability of the company to meet its short-term cash collection obligations depending on the cash flow of a company with current assets and its obligation components. This means that a company is billed, so the company is obliged to meet the debt, especially the short-term debt provided.

Kasmir (2017) explains that a liquidity can be said to be a measure of how liquid a company is by comparing the components in the balance sheet. Cashmere (2017) explains that the purpose of liquidity is to look at the condition of a company's liquidity position over time by comparing multiple periods and as a means of future financial planning in cash planning and short-term debt. A bank is said to be liquid if it can meet its debt obligations, can repay deposits and meet proposed credit requests without suspension. So there are several factors the bank is said to be liquid as follows:

1. The Bank has cash assets as much as the needs used to meet its liquidity.

2. The Bank has cash assets that are less than its liquidity needs, but have assets (securities) that can be disbursed at any time without experiencing a decrease in market value.

**Types of Liquidity**

Kasmir (2015:134) explains there are several types of liquidity, among others:

1. Quick Ratio is a unit of measure to know the ability to refinance its obligations to customers who keep funds with more liquid current assets owned. To calculate the ratio quickly is to reduce the inventory of current assets. Then the results are divided by current liabilities. Inventory is often the most illiquid current asset and is not put in a rapid ratio. Another reason for not entering inventory is that its value often involves managerial considerations compared to slow-collectible receivables. The analysis should assess the advantages of issuing inventory in evaluating liquidity. In the event of liquidation, the inventory is an asset that often suffers losses. Therefore, inventory is essential to measure a company's ability to finance short-term debt. As for how to calculate the formula quick ratio as follows:

$$\frac{\text{Current Assets-Inventory}}{\text{Current Debt}}$$

2. Current Ratio is a static measure of the resources available at a time to meet current obligations. Current cash resource reserves have no logical and causal relationship with future cash inflows. In fact, future cash inflows are the best indicator of liquidity. These cash inflows depend on factors not covered in the ratio, such as sales, cash expenses, profits, and changes in business conditions. The current ratio can be calculated by dividing current assets with current debt. As for calculating the current ratio formula as follows:

$$\frac{\text{Current Assets}}{\text{Current Debt}}$$

3. Banking Ratio /LDR as a way to assess a bank's liquidity by dividing the total credit by the amount of funds. LDR is the ability of bank companies to prepare their funds to debtors with their own capital owned by banks and funds collected from the community. If the bank can channel all its funds, it will make a profit. Conversely, if the bank cannot channel its funds, then the bank will have the opportunity to make a profit. The way to calculate LDR as follows:

$$\frac{\text{Total Credits Given}}{\text{Total Third Party Funds+Paid-Up Capital+Retained Earnings}}$$

**Definition Company Size**

The size of the Company is where a scale or value where the company can be clarified large or small based on total assets, log size, stock value, and so on. The size of the company can be expressed in total assets, sales and market capitalization. If the greater the total assets, sales and market capitalization, the larger the size of the company. The value of an asset is the value of the company's wealth during its operating period. The market capitalization value is how big or small a company is. Large companies have positive financial statements that are able to meet their short-term obligations.

**Profitability**

Profitability is a measuring tool to measure how much the company's ability to generate profit in relation to the value of sales, assets and its own capital (Subramanyam, 2014). Therefore, profitability is used to measure income for profit and loss statements with investment book value. Profit becomes the benchmark of a performance for the company, where the company that has the

profit has the meaning of good company performance. The company's profit said that the company's ability to meet its obligations to its cash flow recipients also creates a value that the company is pointing to in the future. The profitability ratio is a comparison of a company's activity results with its assets. Profitability ratio can be done by comparing different components in the financial statements. Net income is often referred to as compared to the condition of a financial company in the form of sales, assets, equity to find out how much of the company's performance is based on the percentage of some level of activity .

**Types of Profitability**

Subramanyam (2014) explained that there are several types of Profitability as follows:

1. Net Profit Margin (NPM) is a measuring instrument to measure how much difference between the net profit from sales generated. If the difference is not too far away, then it means that the issuer is able to reduce its costs or operating expenses, including the strategy of 'reducing' the effect of interest expense and taxes. If the company has a profit margin keil or still below average, this indicates because of the large costs that occur due to the company's inefficient operations. Profit margin is said to be low if the debt is too excessive. If the company has more debt, then the interest expense of the company is higher. Interest expense can lower net income as a result of fixed sales. The way to calculate the formulation of Net Profit Margin as follows:

$$\frac{EAT}{Sales}$$

2. Return on Assets (ROA) is a number of investments invested capable of providing return on return as expected. The real investment is the same as the company aseet that has been invested. The company is said to be low in return, given the company's ability to generate low returns and high interest costs caused by debt, both of which have led to lower net profit. The higher the ROA value, the better it will be because it means that the management is able to minimize all the burdens in the business process well. It also means that the company is a profitable company because it is able to use all its potential, including its debts, to generate maximum net profit. The formula for calculating Return on Assets is as follows:

$$\frac{EAT}{Total\ Assets}$$

3. Return on Equity (ROE) is a measuring instrument to measure the ability of capital itself in obtaining the benefits available to ordinary shareholders. This ratio is to measure the return on investment from ordinary shareholders and the most important financial ratio or final amount. Shareholders make investments to get a refund on their money. ROE is very important to observe because it is able to show the true return of the investment they make. Because it is one of the components (other than retained earnings) in equity is the capital of shares (including basic capital and issued & paid-up) which is the value that represents the ownership of investors. Formula to calculate Return on Equity as follows:

$$\frac{EAT}{Total\ Equty}$$

4. Rate of Return Investment (ROI) is to measure the ability of capital invested in overall assets to generate net income. In addition, ROI has the goal of measuring per period the rate of

return invested in an economic entity to decide whether to make an investment or not. It can also be used as an indicator to compare different investments in a portfolio. Investments with the largest ROI are usually prioritized, although the spread of ROI over an investment time period must also be taken into account. ROI is often compared to the rate of return on the money invested. The formula for calculating the Rate of Return Investment is as follows:

$$\frac{\text{EAT}}{\text{Total Assets}}$$

## Hypothesis Development

### Leverage's Effect on Profitability

Leverage is the company's ability to measure how much assets a company has to finance a company's debt. The debt used to finance the assets comes from creditors, not from investors. Leverage occurs when the company uses financing with funds that raise the burden, but for the company one of them is the user of debt. Banks with lower leverage ratios have a lower risk of loss, if economic conditions are declining. But if the returns fall further, then the company's condition improves. Conversely if the leverage is high and has a great risk of loss, but also has the opportunity to earn a high profit. Leverage can be measured or analyzed by DER. Research conducted by Pramesti et al. (2018) explained that debt to equity ratio (DER) variables partially positively affect the profitability of Return On Assets (ROA). This means that the company can be able to finance its debts with assets owned by the bank company. The lower the debt of a company, the financial performance in generating maximum profit for the company the better the results of the performance of internal and external parties of the company.

H1: Leverage has a positive effect on profitability.

### Liquidity Effect on Profitability

Liquidity is a measuring instrument as the bank's ability to cover short-term liabilities when it is in maturity. Creditors should pay more attention to the company's future prospects of covering its short-term liabilities than focusing attention on the profits of ordinary shareholders with the company's liquidity. The benefit is that bank companies can get a loan if the liquidity from the company is assessed well. But if liquidity is poor in the long run it will affect the sovability of the company. The measurement taken by this liquidity is financing to deposit ratio (FDR). Financing to Deposit Ratio (FDR) is a comparison between the amount of credit given to the amount of third party funds collected from the community.

Research conducted by Mailinda et al. (2018) said that liquidity (LDR) has a positive and significant influence on Return on Assets (ROA). T test results support the acceptable H2 hypothesis that liquidity (LDR) has a positive effect on Return on Assets (ROA). Which means in the assessment the bank is said to be healthy saying that the bank is high FDR and the company is able to pay its short-term obligations in maturity.

H1: Liquidity has a positive effect on Profitability

### Company Size Effect on Profitability

The size of the Company is the size or small size of a company. A measure of the company in performance has improvements, so the market is willing to pay dearly. Research conducted by Mailinda Iet al. (2018) said that the size of the company has no significant effect and positive influence on profitability. The company's positive size explains that the financial performance for the company is good.

HI : The size of the company has an insignificant positive effect on profitability.

**Conceptual Description of Research**

Conceptual Description of Research is a conceptual method of theory related to factors that have been identified as important issues. So the conceptual framework theoretically explains how inter-variables are researched. The conceptual framework of this research is about Leverage, Liquidity, and Company Size influenced by Profitability. The variables used in this study are 2 variables namely Independent Variables and Dependent Variables. Independent Variables used are Leverage, Liquidity, and Company Size. Furthermore the Dependent Variable used in this research is Profitability. Conceptual in this research is a scale or value of the company where the size or small of the company determined by the total assets and value of the shares aims to evaluate the performance of the company's management, how to be able to earn profit. In order for a company to be able to pay all Long Term And Short Term Debt during a certain period.

Based on the conceptual description of the research above, then this research can be described as follows:
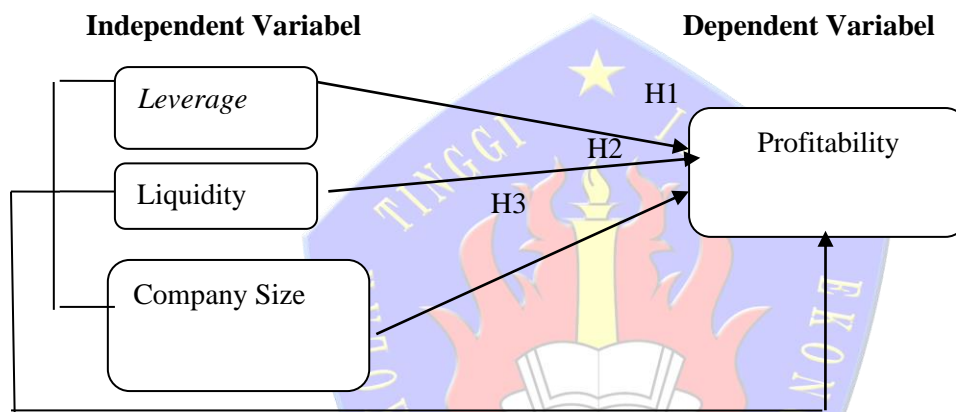


**Pictures 2.1 Conceptual Description of Research**

## III. RESEARCH METHODS
### Research Strategy

Research strategy is a way to find or obtain and collect data, either in the form of primary data or secondary data that aims to compile a scientific work

The strategy carried out by this research using associative research. Sugiyono (2017:37) explained that associative research is a problem formulation conducted by research that has the nature of asking the relationship between two or more variables. In addition, the results of the study are expected by researchers to build a foundation of understanding of explanation, understanding, and control or control of a phenomenon. In this research strategy describes how a relationship between Independent variables including Leverage, Liquidity, and Company Size with Dependent Variables as Profitability in banking companies listed on the IDX in 2017-2019.

**Population and Samples Research**

**Population Research**

Sugiyono (2013) explained that the research population is an area that includes subjects / objects have quality in the karaktristic that has been determined by researchers to facilitate and understand so as to produce a conclusion. In this study, the research population was banking companies that had a population of 44 banking companies listed on the Indonesia Stock Exchange

(IDX) in 2017 to 2019. The following table names data in banking companies from 2017 to 2019 include:

**Table 3.1. List of Research Population Companies**

| No | Code | Name Companies |
|----|------|----------------|
| 1 | AGRO | Bank Rakyat Indonesia Agroniaga Tbk, PT |
| 2 | AGRS | Bank Agris Tbk, PT |
| 3 | AMAR | Bank Amar Indonesia Tbk, PT |
| 4 | ARTO | Bank Artos Indonesia Tbk, PT |
| 5 | BABP | Bank MNC International Tbk, PT |
| 6 | BACA | Bank Capital Indonesia Tbk, PT |
| 7 | BBCA | Bank Central Asia Tbk, PT |
| 8 | BBHI | Bank Harda International Tbk, PT |
| 9 | BBKP | Bank Bukopin Tbk, PT |
| 10 | BBMD | Bank Mestika DharmaTbk, PT |
| 11 | BBNI | Bank Negara Indonesia Tbk, PT |
| 12 | BBRI | Bank Rakyat Indonesia Tbk, PT |
| 13 | BBTN | Bank Tabungan Negara Tbk, PT |
| 14 | BBYB | Bank Yudha Bakti Tbk, PT |
| 15 | BCIC | Bank Jtrust Indonesia Tbk, PT |
| 16 | BDMN | Bank Danamon Indonesia Tbk, PT |
| 17 | BEKS | Bank Pembangunan Daerah Banten Tbk, PT |
| 18 | BGTG | Bank Ganesha Tbk, PT |
| 19 | BINA | Bank Ina Perdana Tbk, PT |
| 20 | BJBR | Bank Pembangunan Daerah Jawa Barat Tbk, PT |
| 21 | BJTM | Bank Pembangunan Daerah Jawa Timur Tbk, PT |
| 22 | BKSW | Bank QNB Indonesia Tbk, PT |
| 23 | BMAS | Bank Maspion Indonesia Tbk, PT |
| 24 | BMRI | Bank Mandiri Tbk, PT |
| 25 | BNBA | Bank Bumi Arta Tbk, PT |

| 26 | BNGA | Bank CIMB Niaga Tbk, PT |
|----|------|-------------------------|
| 27 | BNII | Bank Maybank Indonesia Tbk, PT |
| 28 | BNLI | Bank Permata Tbk, PT |
| 29 | BRIS | Bank BRI Syariah Tbk, PT |
| 30 | BSIM | Bank Sinarmas Tbk, PT |
| 31 | BSWD | Bank of India Indonesia Tbk, PT |
| 32 | BTPN | Bank Tabungan Pensiun Nasional Tbk, PT |
| 33 | BTPS | Bank Tabungan Pensiun Nasional Syariah Tbk, PT |
| 34 | BVIC | Bank Victoria International Tbk, PT |
| 35 | DNAR | Bank Oke Indonesia Tbk, PT |
| 36 | INPC | Bank Artha Graha International Tbk, PT |
| 37 | MAYA | Bank Mayapada International Tbk, PT |
| 38 | MCOR | Bank China Contruction Bank Indonesia Tbk, PT |
| 39 | MEGA | Bank Mega Tbk, PT |
| 40 | NISP | Bank OCBC NISP Tbk, PT |
| 41 | NOBU | Bank Nationalnobu Tbk, PT |
| 42 | PNBN | Bank Pan Indonesia Tk, PT |
| 43 | PNBS | Bank Panin Syariah Tbk, PT |
| 44 | SDRA | Bank Woori Saudara Indonesia Tbk, PT |

*Source: Data processed by researchers 2020*

**Sample Research**

The sample of the study is a large part of the number and characteritic of the research population. Sampling method used by this research is Purpose Sampling. Purpose Sampling is a sampling method based on several considerations of criteria to be used as a sample. The criteria carried out by this study are

1. Companies in banks listed on the Indonesia Stock Exchange (IDX) during the period of 2017 to the period of 2019.

2. Banking companies that issued consecutive annual financial statements during the period of 2017 to 2019.

3. Banking companies that experienced profit or profit during the period of 2017 to 2019.

**Data and Data Collection Methods**

**Research Data**

The data used by researchers is quantitative data. Quantitative data is data that contains information in the form of symbols of numbers or numbers. Based on the symbols of the numbers, quantitative calculations can be done to produce a generally prevailing conclusion within a parameter. The type of data that secondary data uses. Secondary data conducted by this research includes data on financial statements or annual reports on banking companies listed on the Indonesia Stock Exchange (IDX) during 2017 to 2019, namely www.idx.co.id.

**Data Collection Methods**

1. Literature Study is data collection in the form of study of theories, references, and scientific literature related to culture, values, and norms in the social situation studied. Those references include journals, articles, books, and the internet.

2. Documentation data in this study is secondary data in the form of financial statement data or annual reports on banking companies listed on the Indonesia Stock Exchange (IDX) during the period of 2017 to 2019 with the official website of IDX namely www.idx.co.id.

**Operational Variabels**

Operational Variables is a concept or framework about variables to be researched that has the purpose of easier, understood and understood explanations and avoid differences in this research. The research variables are two variables, among others: independent variables and dependent variables**.**

**Independent Variabels**

Independent Variables are variables that can affect other variables. In this research to be used these independent variables are Leverage (X1), Liquidity (X2), Company Size (X3). The following explanations and formulas contained in independent variables include:

1. Leverage (X1) is the ability of a company to measure the amount of assets that have been financed by the company's debt. The measurement of leverage in this study is DAR. DAR to measure the percentage comparison between total debt and total assets. Total debt has current liabilities and long-term liabilities. Creditors are happier, if the debt is smaller because the smaller the DAR, then the level of loss will be less experienced by the creditor if the company is liquidated. On the other hand, shareholders will get more leverage because shareholders will get opportunities in profit.

2. Liquidity (X2) is the ability of the company to measure the amount of liquid determined by comparing the components in the balance sheet in the form of the amount of current assets with total current pasiva. The measurement taken in this liquidity is the current ratio. Current ratio is the company's ability to meet short-term liabilities or debt maturing as a whole. The current ratio can be calculated by dividing current assets with current debt.

3. Company Size (X3) is a size of the company where a scale or value where the company can be classified small size based on total assets, log size, stock value, and so on. In addition to calculating the size of the company by means of a log of total assets.

**Dependen Variabel**

Dependent variables are variables that are influenced by cause, due to the presence of independent variables. In this study has dependent variables namely Profitability. Profitability is

the ability of the company to measure how much the company earns profit by means of its own sales value, assets, and capital. The measurement of profitability in this study is with ROA. ROA is a large number of investments invested capable of providing returns as expected. The real investment is the same as the company aseet that has been invested. In addition, ROA can be calculated by dividing net profit after tax by Total assets.

**Table 3.2 Research Variable Instruments**

| Variable | Consep | Indicators | Scale |
|---|---|---|---|
| *Leverage* | how much investment is invested is able to provide a return on return as expected. The real investment is the same as the company that has been invested | DAR: $\dfrac{\text{Total Payable}}{\text{Total Asset}}$ | Ratio |
| Likuidity | the company's ability to measure how much liquid is determined by comparing the components on the balance sheet in the form of the amount of current assets with total current pasiva | FDR : $\dfrac{\text{Financing provided}}{\text{Total Third Party Funds}}$ | Ratio |
| Company Size | a scale or value where the company can be classified small size based on total assets, log size, stock value, and so on | Size : Log Total Asset | Ratio |
| Profitability | the company's ability to measure how much the company earns profit by means of its own sales value, assets, and capital | ROA : $\dfrac{\text{EAT}}{\text{Total Asset}}$ | Ratio |

**Data Analysis Method**

The data analysis method used in this study is multiple linear analysis, where data processing using descriptive statistical analysis. In this study, researchers used the software program Eviews 9. According to Imam Ghozali, Eviews 9 program is one of multivariate and econometric data analysis software based on the ability to process several types of data such as cross sections, time series, and panels. The advantage of Eviews is to provide a more complete regression estimation

method facility compared to other software. In addition, Eviews can provide ease of use in social research.

**Descriptive Statistical Analysis**

Descriptive statistics is something that explains the picture in a data in the form of collection, processing, and presentation into useful and useful information.

Descriptive statistics in the Eviews program are used to create graphs, display an overview of the distribution of data frequencies and calculate statistical points such as mean, median, standard deviation, maximum value, minimum value, skewness, and kurtosis. The data used in this researcher's descriptive analysis is leverage, liquidity, and company size as independent variables. While profitability as a dependent variable.

**Panel Data Regression Analysis Method**

Panel data is a combination of cross section and time series data types that can provide advantages compared to the standard approach of cross section and time series. Cross section data are research data consisting of one point. Furthermore, time series data is data based on one or more variables that are being observed in one study in a given period. Panel data has the following advantages:

1. Data panel can provide more informative, more varied, and more efficient data.

2. Panel data can be able to measure influences that cannot be observed through pure time series or cross section data.

3. Panel data can be easily studied more complex behavior models.

4. Panel data can be used to minimize what may arise due to individual data aggregation.

**Panel Data Regression Estimation Method**

**Fixed Effect Model**

Fixed Effect Model is a method of estimating the regression of panel data related to interdependent variables (errors) in the relationship between time and individuals. This method there are several possibilities of modification to the assumption of term error as follows:

1. It can be assumed that the error variance is constant for all cross selection units or it can be assumed that the error variance is heteroskedastic.

2. Each individual is assumed to have no autocorrelation between time.

3. Various other possible assumptions of error terms.

**Random Effect Model**

Random Effect Model is a method of estimating the regression of panel data related to interdependent variables (errors) in the relationship between time and individuals. The most appropriate method in the Random Effect Model approach is generalized least square (GLS). Panel data analysis method with Random Effect Model has a requirement that must be met that the number of cross selection must be greater than the number of research variables. In addition, random effect models should consider the following:

1. If the number of time series data is greater and the number of cross selection units is small, then there will be differences in fem and REM estimation results.

2. If the number of cross selection units is greater and the number of time series units is small, then the estimated results of the two models are significantly different.

3. If individual error components and independent variables are correlated, then REM results are biased, while FEM is not biased.

**Determination of Panel Data Regression Model**

**Chow Test**

Chow Test is a research test based on the common Effct Model and Fixed Effect Model approach in determining panel data regression. There are several criteria that fit in this chow test, among others:

1. If the probability value for cross section F>0.05, H0 is accepted.

2. If the probability value for cross section F<0.05, H0 is rejected

3. If the results are as follows:

H0 : Common Effect Model (CEM)

H1 : Fixed Effect Model (FEM).

**Hausman Test**

Hausman Test is one of the tests of research based on Random Effect Model and Fixed Effect Model approach. There are several criteria that are in accordance with housman tester approach, among others:

1. If a probability value for cross section random>0.05, then H0 for Random Effect Model is accepted.

2. If a probability value is cross section<0.05, then H0 for the Fixed Effect Model is rejected.

3. If the result is as follows:

H0 : Random Effect Model

H1 : Fixed Effect Model

**LM Test**

LM test is one of the tests of research based on common effect model and random effect model approach. There are several criteria in the LM peelian testing approach, among others:

1. If the cross section value > is 0.05, then H0 for the Common Effect Model is received.

2. If the cross section value < 0.05,then H0 for random effect model is rejected

3. If the result is as follows:

H0 : Random Effect Model

H1 : Fixed Effect Model.

**Hypothesis Testing Model**

The study used multiple linear analyses. Multiple linear analysis is a research analysis used by researchers on how the state (up or down) of a variable when there are two or more independent

variables as it rises and decreases in value. The way to calculate the equation of regression analysis equation as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots(3.1)$$

**Partial Test**

Ghozali (2017) explained that the F partial test aims to show how much influence one independent variable has on dependent variables by assuming other independent variables are constant. At a significant level of 5% with various criteria of research examiners conducted as follows:

1. If thitung < ttabel and p-value > 0.05, then H0 is accepted and H1 is rejected i.e. one of the independent variables has no effect on the variables in the dependency by signing.

2. If thitung > ttabel and p-value < 0.05, then H0 is rejected while H1 is accepted that the variables inside independently are very influential on dependent variables siginifikan.

**Simultaneous test**

Ghozali (2017) explained that Statistical Test F aims to measure a variable that can have an effect whether or not there is an independent variable to the dependent variable. The criteria for acceptance and rejection of hypotheses carried out by researchers are as follows:

1. If the value is sig<0.05, or Fhitung>Ftabel, then there is an independent variable influence on the dependent variable (H0 is rejected).

2. If the value of sig >0.05 or Fhitung>Ftabel, then the absence of independent variable influence on dependent variable (H0 is accepted).

**Determination Coefficient Test ($R^2$)**

Ghozali (2017) explained that the coefficient of determination aims to measure how far the capabilities of the model explain the variables on the dependents. The coefficient of determination is between zero and one. While the little R2 value has the meaning of the ability of variables that affect independent variables by explaining dependent variables on a limited basis. However, R2 values that are close to one variable value containing independent variables provide almost all the information needed to estimate variations of variables in dependents.

In general, the coefficient of determination for cross selection is much relatively low due to the large variation between each observation. As for time series has a high coefficient of determination value. The disadvantage of coefficient of determination is the bias against the number of independent variebels entered into the model. Each additional one independent variable, then the value of R2 must also increase it does not know whether the variable has a significant effect on dependent variables. Therefore, researchers are recommended to use adjusted R2 values when evaluating the best regression models.

## IV. RESULTS AND DISCUSSION
### Research Data Analysis
### Descriptive Statistics

Descriptive statistics are methods related to the collection and presentation of a data group so as to provide useful information. Below will be presented a table of descriptive statistical test results used in this study that has been processed using Eviews 9:

### Table 4.1 Descriptive Statistical Test Results

|  | **Profitability** | *Leverage* | **Liquidity** | **Company Size** |
|---|---|---|---|---|
| Mean | 2.127471 | 0.786609 | 95.17655 | 8.250920 |
| Median | 1.730000 | 0.834000 | 88.06000 | 8.170000 |
| Maximum | 13.60000 | 0.937000 | 1117.070 | 12.88000 |
| Minimum | 0.090000 | 0.081000 | 2.340000 | 6.490000 |
| Std. Dev. | 2.230430 | 0.171779 | 114.0448 | 1.242009 |
| Observations | 87 | 87 | 87 | 87 |

Source: Process Data Using Eviews 9 (processed by researchers)

From table 4.1 above, it can be described about the variables used by the researchers as follows:

1. Profitability As Y observed during the research period of 3 (three) years period can be seen that the maximum profitability value is 13.60000 and the minimum is 0.090000. While the mean (average) is 2.127471 with a standard deviation value of 2.230430. The results showed that the average value is smaller than the standard deviation value, it can be concluded that the data is varied or heterogeneous.
2. Leverage As X1 during the research period can be seen that the maximum leverage value is 0.937000 and the minimum is 0.081000. While the mean (average) is 0.786609 with a standard deviation of 0.171779. The results showed that the average value is greater than the standard deviation value, it can be concluded that the data is not varied or homogeneous.
3. Liquidity As during the research period can be seen that the maximum liquidity value is 1117.070 and the minimum is 2.340000. While the mean (average) is 95.17655 with a standard deviation of 114.0448. The results showed that the average value is smaller than the standard deviation value, it can be concluded that the data is varied or heterogeneous.
4. Company Size As X during the research period can be seen that the maximum company size is 12.88000 and the minimum is 6.490000. While the mean (average) is 8.250920 with a standard deviation of 1.242009. The results showed that the average value is greater than the standard deviation value, it can be concluded that the data is not varied or homogeneous.

## Panel Data Regression Model

1. Chow test is used to choose between common effects model or fixed effects model (FEM) in processing panel data. This is due to the assumption that each cross section unit has the same behavior tends to be unrealistic considering that each cross section unit has a different behavior. This test is done with the hypothesis:

   H0 = Common effects method,H1 = FEM method. The following are displayed chow test results using The Likelihood Ratio test on the E-views application:

### Table 4.2 F-Statistical Test Results (Chow Test) – Likelihood Ratio

| Effects Test | Statistic | d.f. | Prob. |
|---|---|---|---|
| Cross-section F | 45.561264 | (28,55) | 0.0000 |
| Cross-section Chi-square | 277.194073 | 28 | 0.0000 |

Source: Process Data Using E-views 9 (processed by researchers).

From the table above it is known that the p-value (Prob) of the F-Statistical Test is 0.0000 (less than 0.05), so with a confidence level of 95%, we can reject H0 and receive H1. This means that based on the F-Statistical Test (Chow Test), the fixed effects method model is more appropriately used than the common effects method of the model.

2. Hausman test is a statistical test to choose whether the fixed effects or random effects model is most appropriate to use. Hausman test is carried out with the following hypotheses:
H0 = Random effects model, H1 = Fixed effects model.

**Table 4.3 Hausman Test**

| Test Summary | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob. |
|---|---|---|---|
| Cross-section random | 40.66656 4 | 3 | 0.0000 |

Source: Process Data Using E-views 9 (processed by researchers).

From the table above it is known that p-value (Prob) is 0.0000 (less than 0.05), so with a confidence level of 95%, we can accept H1 and reject H0. Hausmann's test showed that the fixed effects model method is more appropriately used than the random effects method of the model.

**Panel Data Regression Results**

Based on the selection of estimation models that have been done above that the most suitable fixed effects model method is used in this study, the results of data processing output for multiple linear regression models are as follows:

**Table 4.4 Panel Data Regression Results**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.326254 | 2.710518 | 0.120366 | 0.9046 |
| LEVERAGE | 0.024668 | 0.482280 | 0.051149 | 0.9594 |
| LIQUIDITY | 0.000134 | 0.000543 | 0.246176 | 0.8065 |
| COMPANY SIZE | 0.214412 | 0.323689 | 0.662403 | 0.5105 |

Source: Process Data Using E-views 9 (processed by researchers).

Based on the above results, the data obtained regression equation panel data as follows:

$Y = a + \beta 1 X1 + \beta 2 X2 + \beta 3 X3$

$Y = 0.326254 + 0.024668 X1 + 0.000134 X2 + 0.214412 X3$

From the regression equation above, it can be described as follows:

1. Constants (a)
Constant value (a) of 0.326254 means that if the variable in this study leverage, liquidity and growth of the company is 0, then profitability (Y) is obtained by 0.326254.

2. The coefficient value of leverage variable regression
The coefficient of leverage variable regression obtained by 0.024668 positive X1 value indicates a direct relationship between variable profitability and leverage, which means that if leverage increases by 1 unit then profitability will increase by 0.024668 assuming that other independent variables remain.

3. The coefficient of regression of liquidity variables

The positive coefficient of variable liquidity regression value of 0.000134 X2 indicates a direct relationship between variable profitability and liquidity, which means that if liquidity increases by 1 unit then profitability will increase by 0.000134 assuming that other independent variables remain.

4. The value of the company's size variable regression coefficient

The company's variable regression coefficient value of 0.214412 positive X3 value indicates a direct relationship between variable profitability and company size, which means that if the company's size increases by 1 unit then profitability will increase by 0.214412 assuming that other independent variables remain.

**Parsial Test**

Based on table 4.2 of partial influence test results with a tttabel of 1,973, independent variable testing with dependent variables is as follows:

**1. Leverage's Influence on Profitability**

From the calculation of panel data analysis for leverage variables, thitung value is obtained by 0.051149 with probability (significance) of 0.9594. Since thitung < ttabel (0.051149 < 1.973) and probability value (significance) > significant level (0.9594 > 0.05). or in other words, leverage variables have a positive and insignificant effect on profitability. This means that profitability growth in banking companies in Indonesia is strongly influenced positively by DAR obtained from the public or other third parties, both small and large scale with an adequate deposition period.

**2. The Effect of Liquidity on Profitability**

From the calculation of panel data analysis for liquidity variables, thitung value is obtained by 0.246176 with probability (significance) of 0.8065. Because thitung < tttabel (0.246176 < 1.973) and the probability value (significance) > significant level (0.8065 > 0.05). Thus the conclusion is that liquidity has no significant effect on profitability with a positive relationship direction at a significant level of 0.05 (5%) or in other words, variable liquidity has a positive but insignificant effect on profitability at a 95% confidence level. This means that the bank company is able to cover short-term liabilities when it is due. Therefore, bank companies can maintain survival and obtain new capital supply and the company has the ability to generate good profit in the following year. So that the banking company is able to cover or pay off its short-term debt when it is due.

**3. The Effect of Company Size on Profitability**

From the calculation of panel data analysis for enterprise size variables, thitung value is obtained by 0.662403 with probability (significance) of 0.5105. Because thitung < tttabel (0.662403 < 1.973) and probability value (significance) > significant level (0.5105 > 0.05). So the conclusion is that the size of the company has no significant effect on profitability with a positive relationship direction at a significant level of 0.05 (5%) or in other words, the company's variable size has a positive and insignificant effect on profitability at a 95% confidence level. This means that the size of the company can not affect profitability because the size of the company can be seen from the total assets owned by the company alone. Total assets that cannot affect the profitability of the company, unless the total assets used are financing that can affect profitability.

**Simultaneous Test**

Simultaneous tests are used to find out if together independent variables simultaneously affect dependent variables. This test is done by looking at Prob. F-statistic. When Prob. F-statistic (F calculate) is smaller than the significant rate of 0.05 then the indepnden variable simultaneously affects the dependent variable. On the contrary when Prob. F-statistic (F calculate) is greater than the significant rate of 0.05 then the independent variable has no simultaneous effect on dependent variables. The following F simultaneous test output obtained from fixed effects model:

**Table 4.5 Simultaneous Test Result (F Test)**

| F-statistic | 71.87975 |
|---|---|
| Prob(F-statistic) | 0.000000 |

Source: Data Processing Using E-views 9 (processed by researchers)

Based on simultaneous test results with Ftabel of 2,654 obtained Fhitung value of 71.87975 and Prob (F-Statistic) value of 0.000000. Because Fhitung > Fbel (71.87975 > 2.654) and the probability value (significance) < a significant level (0.000000 < 0.05). So it can be concluded that leverage, liquidity and the size of the company simultaneously have a significant effect on profitability.

**Determination Coefficient Test**

The coefficient of determination is the variation in the influence of independent variables on their dependents, or it can also be said to be the proportion of influence of all independent variables on dependent variables. The following is the output of determinant coefficient test obtained from fix effects method.

**Table 4.6 Determination Coefficient Test Results**

| Variable | R-squared |
|---|---|
| *Leverage* | |
| Liquidity | 0.975912 |
| Company Size | |

Source: Data Processing Using E-views 9 (processed by researchers)

From the table above the coefficient of determination can be seen in R-Square which is 0.975912 or 97.5912% meaning that the variable leverage, liquidity and size of the company is simultaneously able to explain the variable profitability of 97.5912% while the remaining 2.4088% is explained by other factors not researched in this study. With a coefficient of determination of 97.5912% means the level of leverage, liquidity, and size of the company to strong profitability.

## V. CONCLUSIONS AND SUGGESTIONS
**Conclusion**

From the results of the study on "The Influence of Leverage, Liquidity, and Company Size on Profitability in Banking Companies Listed on the Indonesia Stock Exchange Year 2017-2019", researchers can draw the following conclusions:

1. In the hypothetical test results in leverage measurement that is DAR through judicial testing or t-test is a significant level of (0.9594 > 0.05), it can be concluded that variable leverage to profitability has a positive and insignificant influence on banking companies listed on the Indonesia Stock Exchange for the period 2017-2019.
2. In the hypothetical test results in liquidity measurement, namely FDR through partial testing or t-test is a significant level of (0.8065 > 0.05), it can be concluded that liquidity variables to profitability have a positive and insignificant influence on banking companies listed on the Indonesia Stock Exchange for the period 2017-2019.
3. In the hypothetical test results in the measurement of company size i.e. the total asset log through partial testing or t test is a significant level of (0.5105 > 0.05), it can be concluded that From the results of variable measures of the company to profitability there is a positive

and insignificant influence on the banking companies listed on the Indonesia Stock Exchange period 2017-2019.
4. From the results of simultaneous testing conducted by the author proves the positive and significant influence between Leverage, liquidity and company size on the profitability of bank companies listed on the Indonesia Stock Exchange period 2017-2019. This indicates a significant value of 0.000 less than 0.05. Which means that the variable leverage, liquidity, and size of the company have a positive effect and have a significant effect on profitability in silmutan testing.

## Suggestions

Based on the results of the research that has been submitted above there are some suggestions from researchers for further research as follows:
1. For researchers with the same topic is expected to continue this research by adding criteria for research samples with the intention to be able to describe the overall condition of the company about profitability in the company.
2. For researchers further it is recommended to add or replace independent variables beyond the variables carried out in this study.
3. For the next researcher is expected to find or add more data analysis methods
4. Further research is expected to look in addition to the population of banking companies listed in the IDX, such as the mining sector, service sector, property companies, and automotive companies.

## Limitations of Research and Further Research Developmen

In this research still has limitations and development that can be used as research considerations in order to produce better, among others:

1. This research only uses banking companies registered in the IDX from 2017 to 2019. Further research can use other companies listed in the IDX.

2. In this research can only use variable leverage, liquidity, and company size. However, in the development of further research can be added other variables before the previous research.

3. The number of company samples in the study is only small. However, in the development of further research can be added another sample based on other criteria.

4. Based on the results of the analysis of the coefficient of determination test in this study of 97%. This explains that there are still variables that affect profitability.

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