



The Effect of Firm Attributes on Profitability in Insurance Companies Listed on Indonesian Stock Exchange for the Period 2022-2024

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Abstract:

This study aims to analyze the effect of firm size, firm age, liquidity, and leverage on the profitability of insurance companies listed on the Indonesia Stock Exchange during the 2022 to 2024 period. The study focuses on the insurance sector by using the entire population as a research sample (saturated sampling), with a final number of observations of 51 observations. The data is obtained from the Annual Financial Statements of insurance companies and processed using the Eviews 12. The result of this study indicate that firm size has a negative impact of profitability, while firm age has no impact on profitability. Meanwhile, liquidity and leverage have a positive impact on the profitability of insurance companies. This finding suggests that profitability depends not only on the scale of the company, but also on the ability to manage finances efficiently. This study provides practical implications for insurance company management in formulating resource management strategies as well as for investors in evaluating the company's financial performance. This study is also expected to be a reference for the future research, especially studies that aim to examine other internal factors affecting the profitability of companies in the financial sector.

Keywords: Profitability, Firm Size, Firm Age, Liquidity, Leverage

BACKGROUND

The rapid economic development in Indonesia, alongside advancements in science and technology, has intensified business competition across various sectors, including insurance. Insurance companies significantly contribute to national development through large-scale capital investments (Candra et al., 2023). Despite the economic challenges during the COVID-19 pandemic, the insurance sector demonstrated resilience and recovered steadily, driven by the increasing public awareness of health protection. According to the Financial Services Authority (OJK), the number of insurance companies increased to 150 by the end of 2024 (Rahimah & Mahardika, 2023).

However, recent financial failures—such as those involving PT Asuransi Jiwasraya and Kresna Life—have undermined public trust. For instance, by the end of 2019, Jiwasraya reported liabilities of IDR 49.6 trillion, total assets of only IDR 25.68 trillion, and negative equity of IDR 23.92 trillion. These cases reflect poor financial management and liquidity problems, triggering widespread concern about the industry's stability.

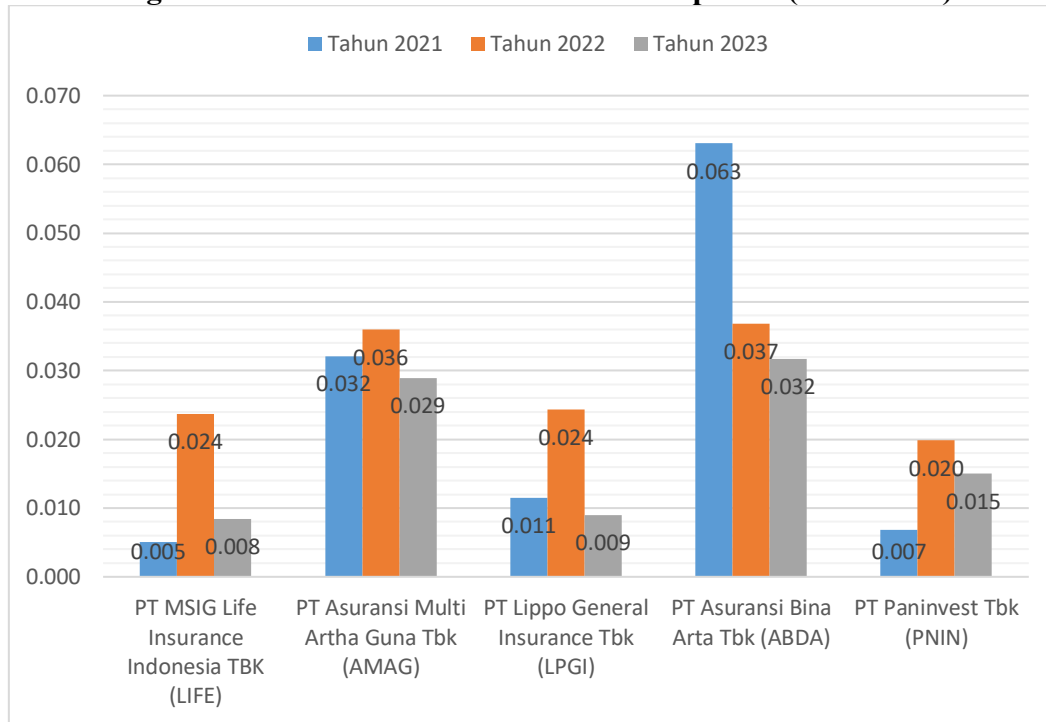
To sustain profitability, insurers must efficiently manage collected premiums and balance operational and investment strategies. Profitability, measured using Return on Assets (ROA), is a key performance indicator in this regard. The Indonesian government, through Government



Regulation No. 81 of 2008, emphasizes the need for insurers to maintain a strong capital base and sound financial performance to remain competitive and accountable.

While the insurance industry as a whole shows stable growth, many companies still experience fluctuating ROA. The following chart illustrates the ROA trends of selected insurance companies listed on the IDX during 2021–2023:

Figure 1. ROA of Selected Insurance Companies (2021–2023)



Source: www.idx.go.id (processed by the author, 2025)

The chart reveals that although companies such as PT Asuransi Bina Arta Tbk (ABDA) and PT Asuransi Multi Artha Guna Tbk (AMAG) had the highest ROA in 2023, both experienced a decline of 0.5% and 0.7%, respectively, compared to the previous year. Meanwhile, PT MSIG Life Insurance Indonesia Tbk (LIFE) recorded the lowest ROA in 2023 with a decrease of 1.6%, largely due to a decline in both total assets and net income.

These inconsistencies reflect the need for insurers to strengthen internal performance. High profitability not only indicates operational success but also compliance with financial regulations and competitiveness in the global market. Therefore, this study investigates the influence of internal firm attributes—firm size, firm age, liquidity, and leverage—on profitability in the Indonesian insurance industry. The study responds to the contradictory findings of previous research and aims to provide a more grounded understanding of what drives insurer performance in Indonesia.



THEORETICAL FRAMEWORK

Resource-Based View (RBV) Theory

The Resource-Based View (RBV), introduced by Barney (1991), explains the foundation of sustained competitive advantage. According to this theory, companies that possess internal resources that are valuable, rare, inimitable, and non-substitutable (known as the VRIN criteria) are more likely to achieve long-term competitiveness compared to their rivals (Wirasadi et al., 2023).

RBV emphasizes that profitability and competitive advantage can be achieved when a firm effectively manages superior resources and unique capabilities that are not easily replicated by competitors (Stephanie & Ruslim, 2021). As competition intensifies, firms must protect and reinforce their core competencies to remain competitive (Elya Dasuki, 2021).

Empirical research has classified strategic resources into six categories: physical assets, reputation, organizational structure, financial resources, human intellectual capital, and technology. Barney (1991) further defines resources to include all assets, capabilities, knowledge, administrative processes, firm attributes, and information that can be deployed to enhance operational efficiency and effectiveness (Putri, 2021).

The RBV approach underlines that competitive advantage arises from internal strategic resources, and this advantage enables firms to achieve superior performance. In the context of profitability, RBV suggests that financial performance is not solely influenced by external market conditions or marketing strategies, but is fundamentally a reflection of how well a company utilizes and optimizes its internal resources. Effective management of assets, capital, knowledge, and financial structure is thus critical in generating sustainable profitability.

Profitability

Profitability is a key indicator of a company's ability to generate earnings and sustain business operations. According to Worku et al. (2024), profitability is the primary objective of every business entity. Without sufficient profitability, long-term business continuity cannot be ensured. Therefore, evaluating both current and historical profitability is essential for projecting future financial performance and assessing a company's overall efficiency.

Prihadi (2019) states that consistent profitability reflects a company's ability to survive within its industry. A high level of profitability indicates superior operational performance and financial health. Ratnasari (2020) adds that profitability information helps stakeholders assess potential changes in economic resources and predict a company's future cash flow capacity.



Profitability can be defined as a company's capability to generate profit (Prihadi, 2019). It serves as a measure of fundamental performance, reflecting how effectively a company utilizes its resources. According to Telly and Ansori (2017), profitability is evaluated through ratios that indicate how well a company generates earnings using its available resources and capabilities. These ratios assess the overall effectiveness of management by analyzing the return generated from working capital, sales, and investments, usually expressed as percentages.

One of the most widely used profitability indicators is Return on Assets (ROA). ROA measures the efficiency with which a company utilizes its total assets to generate net profit. A higher ROA indicates a greater ability to produce profit from each unit of asset employed. According to Siswanto (2021), ROA reflects the contribution of assets in creating net income. The ROA formula as described by Prihadi (2019) is as follows:

$$\text{Return On Assets} = \frac{\text{Profit Before Tax}}{\text{Total Aset}}$$

Firm Attributes

Firm attributes refer to the internal characteristics or inherent features of a company that can influence its financial performance and profitability (Abdullahi, 2023). Understanding these attributes is essential for analyzing how internal factors contribute to a firm's ability to generate profits. Firm attributes are considered as driving variables that shape corporate activities over time and influence both internal management decisions and external stakeholder perceptions.

Abdullahi (2023) highlights the role of firm attributes—such as firm size, firm age, liquidity, and leverage—as key determinants of profitability in insurance companies listed in Nigeria. These attributes form the structural foundation of a business and significantly impact performance, particularly in monitoring earnings to assess whether a firm can sustain its operations in the long term.

Firm Size

Firm size refers to the scale of a company, typically measured by total assets, revenue, profit, and tax burden (Maudina et al., 2020). According to Chen (2019), firm size reflects the magnitude of a company's operations as indicated by the value of its assets. Sylviana et al. (2022) explain that firm size represents the wealth owned by a company; the larger the firm, the more resources it has to finance business activities. Efficient operations in larger firms tend to result in greater output, higher sales, and improved profitability.



In Indonesia, Law No. 20 of 2008 classifies firms into four categories based on size: micro, small, medium, and large enterprises. Firm size is often associated with the scale of profits generated from the total asset base (Candra et al., 2023). A common proxy for measuring firm size in empirical research is the natural logarithm of total assets, calculated using the formula (Candra et al., 2023):

$$Size = Ln(Total Assets)$$

Firm Age

Firm age refers to the length of time a company has been in operation, which can be identified from its founding date, the start of its commercial activities, or the year it was listed on the Indonesia Stock Exchange (IDX) (Sofani, 2022). According to Wirasadi et al. (2023), older firms tend to be viewed more positively by the public, as they are perceived to have greater resilience, market experience, and reliable products.

Firm age reflects a company's ability to survive, compete, and seize opportunities in a dynamic economy. In general, firms with a longer operational history tend to show more stable profitability than newly established firms. Experience gained over time may enhance operational efficiency and contribute to higher earnings.

Rahimah and Mahardika (2023) suggest that firm age represents organizational maturity and the ability to adapt over time. Similarly, Mahendri and Irwandi (2020) state that firm age demonstrates a company's capacity to maintain its operations. From the public's perspective, firm age also provides an indication of long-term sustainability.

Firm age is commonly measured by the number of years between a company's founding year and the year of observation. This can also reflect how long the firm has been publicly reporting financial information. The measurement is typically calculated using the following proxy:

$$AGE = Year\ of\ Observation - Year\ of\ Establishment$$

Liquidity

Liquidity ratio is a financial metric that measures a company's ability to meet its short-term obligations using its current assets (Brigham & Houston, 2019). According to Kasmir (2019), liquidity reflects the firm's capacity to settle debts as they come due. A firm is considered liquid if it can fulfill its short-term liabilities on time; otherwise, it is deemed illiquid (Syukhandri & Rahayu, 2022).

This ratio is essential for assessing a company's short-term financial health, including obligations to both external and internal stakeholders. In the insurance industry, liquidity plays



a crucial role in covering operational expenses and settling policyholder claims. As noted by Stephanie and Ruslim (2021), an insurer's liquidity primarily stems from net premium inflows, investment returns, and asset liquidity.

In summary, liquidity refers to a company's ability to fund operations and meet short-term obligations using its most liquid assets. One commonly used liquidity metric is the current ratio, which indicates a company's ability to pay short-term liabilities using current assets (Fitriana, 2024). This ratio serves as a margin of safety for creditors and stakeholders. Generally, the higher the ratio, the more capable the company is of covering its short-term debts.

The formula for calculating the current ratio is as follows:

$$\text{Current Ratio} = \frac{\text{Current ratio}}{\text{Short – Term Liabilities}}$$

Leverage

Leverage, or the debt ratio, is a financial performance indicator that compares a company's debt to its equity or assets (Mitasari, 2023). This ratio reflects the extent to which a company's operations are financed by external debt. According to Kasmir (2019), leverage measures how much of a firm's assets are funded through liabilities, indicating the firm's ability to manage long-term debt obligations.

Excessive use of debt can expose a company to extreme leverage, where it becomes trapped under a heavy debt burden and struggles to repay its obligations (Rahimah & Mahardika, 2023). High leverage increases financial risk and may lead to bankruptcy if the firm fails to meet its debt obligations.

The Debt to Equity Ratio (DER) is one of the most commonly used leverage indicators, which shows the proportion of total debt relative to shareholders' equity. It also reflects the level of financial risk borne by the company. A higher DER implies greater bankruptcy risk and lower financial stability (Sayekti & Santoso, 2020).

The formula for calculating DER is as follows:

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$$



Hypothesis Development

The Effect of Firm Size On Profitability

Firm size refers to the scale of a company and plays a critical role in determining profitability. Abdullahi (2023) identifies firm size as a key factor influencing profitability in insurance companies. Larger insurance firms tend to have greater access to market share and customer trust, which can lead to increased sales (Azhari & Sukmaningrum, 2021). These firms are also more likely to maintain stable financial operations and efficient resource management, thereby enhancing profitability.

This aligns with the Resource-Based View (RBV) theory, which suggests that expanding a firm's internal resources—including its size and operational capacity—can strengthen competitive advantage and improve financial performance.

Previous studies consistently report a positive and significant relationship between firm size and profitability. Research by Worku et al. (2024), Abdeljawad & Farhood (2024), Abdullahi (2023), Candra et al. (2023), Sylviana et al. (2022), and Sutrisno & Riduwan (2022) supports the view that larger companies tend to achieve higher profitability. Sayekti & Santoso (2020) also found that larger firms benefit from better access to resources and market opportunities, contributing to superior financial outcomes. Based on these findings, the hypothesis proposed is:

H1: Firm size has a positive and significant effect on profitability.

The Effect of Firm Age on Profitability

Firm age reflects a company's ability to survive, compete, and seize opportunities in a dynamic economic environment (Rahman, 2021). Older firms often benefit from accumulated experience, operational maturity, and a stronger reputation, which can positively influence profitability.

According to the Resource-Based View (RBV) theory, firms with longer operational histories are better equipped to manage internal resources sustainably, allowing them to improve financial performance over time.

Empirical studies by Worku et al. (2024) and Jessica & Triyani (2022) found a positive and significant relationship between firm age and profitability. Similar findings were reported by Noviandita & Sari (2019), Kristanti et al. (2022), and Oktavia et al. (2020), who emphasized that firm age is an indicator of financial stability and strategic resilience. Based on these findings, the following hypothesis is proposed:

H2: Firm age has a positive and significant effect on profitability.

The Effect of Liquidity on Profitability

Liquidity is an important indicator of a company's profitability (Noviandita & Sari, 2019). In the context of insurance, liquidity reflects a firm's ability to meet claim obligations and



policyholder commitments without liquidating its financial assets (Rafi & Syaichu, 2019). It measures how effectively a company can fulfill short-term liabilities due within one year. High liquidity indicates a company's capacity to settle obligations in a timely manner.

The Resource-Based View (RBV) highlights the strategic role of internal resources—including liquid assets—in building competitive advantage and improving firm performance. Strong liquidity management enables firms to maintain operational stability, which supports profitability.

Hussanie & Joo (2019) argue that companies capable of settling short-term debts as they mature are considered financially healthy. This finding is supported by Kristanti et al. (2022), Candra et al. (2023), and Worku et al. (2024), who all found a positive and significant relationship between liquidity and profitability. Based on this evidence, the following hypothesis is proposed:

H3: Liquidity has a positive and significant effect on profitability.

The Effect of Leverage on Profitability

Leverage refers to the extent of debt used by insurance companies to finance their operational activities (Rahimah & Mahardika, 2023). It reflects a company's ability to meet its long-term financial obligations. This study argues that when debt is not utilized efficiently, high leverage may negatively affect profitability due to increased financial burden.

From the perspective of the Resource-Based View (RBV), leverage is part of a firm's internal capability in managing financial resources. Effective use of debt can support profitability, but poor debt management may increase risk and reduce performance.

Previous studies by Abdullahi (2023), analyzing insurance companies in Nigeria, and Hafsari et al. (2023), examining firms in Jordan and Palestine, found a negative relationship between leverage and profitability. Similarly, Sayekti & Santoso (2020) argue that firms with high debt-to-equity ratios may struggle to increase profits, as external financing introduces higher risk due to interest expenses. Based on these findings, the following hypothesis is proposed:

H4: Leverage has a negative and significant effect on profitability.

METHOD

This study adopts a quantitative research method to examine the influence of firm-specific attributes—namely firm size, firm age, liquidity, and leverage—on the profitability of insurance companies listed on the Indonesia Stock Exchange (IDX) during the period 2022–2024. Quantitative research involves the use of numerical data to test hypotheses and analyze the relationships among variables (Sugiyono, 2020).

The unit of analysis in this study consists of insurance companies operating in Indonesia that are publicly listed on the IDX. The population includes all 18 insurance companies listed on the IDX between 2022 and 2024. Given the relatively small number of firms, the study employs saturated sampling (census sampling), meaning all members of the population were included



in the sample (Sugiyono, 2020). Therefore, the final sample comprises 18 insurance companies, each with complete and accessible financial data for the three-year observation period.

The study uses secondary data obtained through a documentation method, which involves collecting data from publicly available sources (Hardani, 2020). Specifically, the data were gathered from annual financial reports published by the companies and obtained via the IDX website (www.idx.co.id) and the respective official company websites.

RESULT

1. Descriptive Statistics Summary

This section presents the descriptive statistics of the variables used in this study based on 51 observations after outlier removal. The variables include profitability (ROA), firm size (SIZE), firm age (AGE), liquidity (LIQ), and leverage (LEV).

Table 1. Descriptive Statistic

	PROF	SIZE	AGE	LIQ	LEV
Mean	0.0202	28.7550	48.8235	4.7374	1.9246
Median	0.0217	28.2470	46.0000	3.6490	1.7168
Maximum	0.0649	33.1930	72.0000	28.5910	6.1928
Minimum	-0.0817	25.3180	8.0000	0.1430	0.3631
Std. Dev.	0.0222	2.0402	14.8104	5.0323	1.1253
Observations	51	51	51	51	51

Source: Processed using Eviews 12 (2025)

The descriptive statistics analysis based on 51 observations reveals key insights into the characteristics of insurance companies listed on the Indonesia Stock Exchange.

Based on the descriptive statistics, the mean value of profitability (measured by ROA) is 0.0202, and the standard deviation of 0.0222 suggests a wide variation in firm performance. The minimum ROA of -0.0817 (PT Asuransi Maximus Graha Persada Tbk, 2022) reflects a loss, indicating that the company's assets were not yet generating profit. Conversely, the maximum ROA of 0.0649 (PT Asuransi Tugu Pratama Indonesia Tbk, 2023) demonstrates strong asset utilization and high profitability.

The mean value of firm size is 28.755, representing the natural logarithm of total assets held by the insurance companies in the sample, indicating generally large asset scales. Larger firms typically possess greater financial capacity to manage claims, investments, and business expansion. The minimum value of 25.318 (PT Asuransi Bintang Tbk, 2022) reflects a relatively small firm, likely due to limited operations and minimal product diversification. In contrast, the maximum value of 33.193 (PT Paninvest Tbk, 2024)



indicates a large-scale firm with extensive product offerings, including individual life insurance and investment-linked products such as unit-linked plans. Firm age averages 48.82 years, reflecting that the majority of companies are well-established, although variation remains with ages ranging from 24 to 72 years.

The average liquidity value is 4.7374, and the standard deviation of 5.0323 suggests wide variability across firms. The minimum value of 0.1430 (PT Paninvest Tbk, 2024) reflects very low liquidity, which may signal potential difficulties in meeting short-term obligations. Conversely, the maximum value of 28.5910 (PT Asuransi Maximus Graha Persada Tbk, 2023) indicates a substantial excess of current assets over short-term liabilities.

Lastly, the mean value of leverage is 1.9246, and the standard deviation of 1.1253 suggests relatively low variation across firms. The minimum value of 0.3631 (PT Asuransi Jasa Tania Tbk, 2022) reflects a conservative capital structure with a higher reliance on equity, implying lower financial risk. In contrast, the maximum value of 6.1928 (PT Malacca Trust Wuwungan Insurance Tbk) shows the firm uses debt more than six times its equity, indicating a very high level of financial leverage. While this strategy may offer higher returns if managed well, it also increases financial risk significantly.

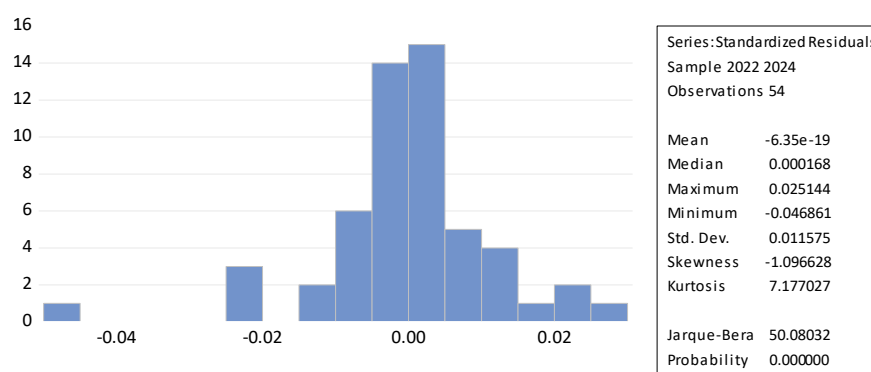
2. Classical Assumption Tests

Normality Test

The normality test aims to determine whether the residuals are normally distributed (Ghozali & Ratmono, 2017). In this study, the Jarque-Bera test is used to assess normality. The decision rule is as follows:

- If the probability value is greater than 0.05, the residuals are considered normally distributed.
- If the probability value is less than 0.05, the residuals are considered not normally distributed.

Figure 2. Normality Test Before Outlier



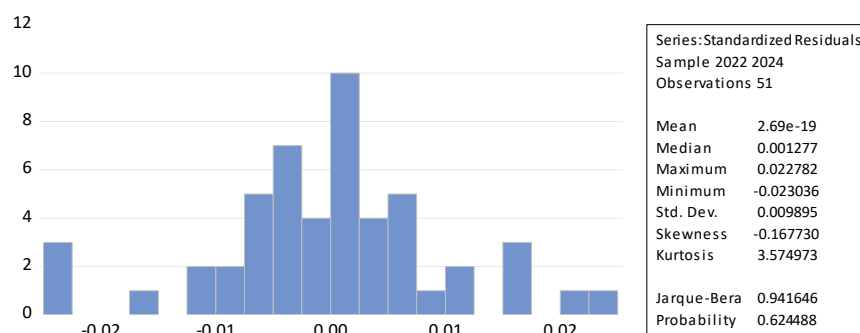
Source: Processed using Eviews 12 (2025)

The figure indicates that the observational data were not normally distributed prior to



outlier removal. This is evidenced by the Jarque-Bera probability value of 0.000000, which is lower than the 0.05 significance level. Since the initial data did not meet the assumption of normal distribution, an outlier test was conducted to improve data normality. The purpose of the outlier test is to identify extreme values that may distort the overall distribution pattern. The outlier detection process was carried out using EViews 12. According to Rifaldi (2024), one of the outlier detection methods in EViews 12 involves enabling the Outliers Auto-detection feature and adjusting the Bypass test failed by GUM option at the 5% level (0.05). The following section presents the results of the outlier testing performed in this study:

Figure 3. Normality Test After Outlier



Source: Processed using EViews 12 (2025)

After the removal of outliers, the data in this study were found to be normally distributed. This is indicated by the Jarque-Bera probability value of 0.6244, which is greater than the 0.05 significance level. This result suggests that the data follow a normal distribution with a uniform spread, making them suitable to represent the research population.

Multicollinearity Test

The multicollinearity test aims to examine whether there is a correlation between independent variables in the regression model (Ghozali & Ratmono, 2017). A good regression model should not exhibit multicollinearity among independent variables. The presence of multicollinearity can be identified through the correlation coefficients. The decision criteria are as follows:

- If the correlation between independent variables is **less than 0.85**, there is no indication of multicollinearity.
- If the correlation between independent variables is **greater than 0.85**, there is an indication of multicollinearity.

Tabel 2. Multicollinearity Test

	PROF	SIZE	AGE	LIQ	LEV
PROF	1.000000	0.123172	-0.138922	-0.237787	-0.153582



SIZE	0.123172	1.000000	0.010251	-0.255337	0.222045
AGE	-0.138922	0.010251	1.000000	0.151862	0.305837
LIQ	-0.237787	-0.255337	0.151862	1.000000	-0.076951
LEV	-0.153582	0.222045	0.305837	-0.076951	1.000000

Source: Processed using Eviews 12 (2025)

Based on Table 2, all partial correlation values among the independent variables are below 0.85. Therefore, it can be concluded that H_0 is accepted, indicating no indication of multicollinearity in the model.

Heteroscedasticity Test

The heteroskedasticity test aims to identify the presence of unequal variance in the residuals of a regression model, which may arise from differences among individuals in the dataset (Ghozali & Ratmono, 2017). When the variance of the residuals is not constant, the model is said to exhibit heteroskedasticity. This study employs the Glejser test, which involves regressing the absolute residual values against the independent variables. The decision criteria are as follows:

- If the probability value is greater than 0.05, there is no indication of heteroskedasticity.
- If the probability value is less than 0.05, there is an indication of heteroskedasticity.

Tabel 2. Heteroscedasticity Test

<i>Variable</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistic</i>	<i>Prob.</i>
C	0.001505	0.087366	0.017230	0.9864
SIZE	0.000505	0.003125	0.161673	0.8726
AGE	-8.37E-05	0.001085	-0.077085	0.9391
LIQ	-0.000861	0.000455	-1.894185	0.0679
LEV	-0.000315	0.002498	-0.126295	0.9003

Source: Processed using Eviews 12 (2025)

Table 3 shows that the regression model in this study does not exhibit heteroskedasticity. This is indicated by the probability values of all independent variables, which are greater than 0.05. Therefore, it can be concluded that the data in this study are homoscedastic.



Autocorrelation Test

The autocorrelation test is conducted to examine the correlation between residuals based on spatial or temporal order (Ghozali & Ratmono, 2017). If autocorrelation is present in the model, the estimated parameters become biased, the variance is no longer minimal, and the model becomes inefficient (Basuki, 2021). This study employs the Durbin Watson test, to detect the presence of autocorrelation in the model. The decision criteria are as follows:

- If the DW value $< dL$, then there is an indication of autocorrelation.
- If the DW value $> dU$, then there is no indication of autocorrelation.
- If the DW value lies between dL and dU , then the test is inconclusive.

Tabel 3. Autocorrelation Test

Durbin-Watson stat
2.742534

Source: Processed using Eviews 12 (2025)

The Durbin-Watson (DW) statistic is 2.74253. Based on the Durbin-Watson table and the observation data, where the number of independent variables (k) is 4 and the total number of observations (n) is 51, the critical values are as follows: $dL = 1.42734$, $dU = 1.67538$, $4 - dU = 2.32462$, and $4 - dL = 2.57266$. After analysis, the result shows that $1.67538 < 2.74253 > 2.57266$, which means $dU < DW < 4 - dL$. This outcome indicates that the test for autocorrelation is inconclusive.

3. Panel Data Regression Model Analysis

Panel data regression analysis is a method that utilizes data collected from multiple individuals or firms (cross-section) observed over several time periods (time series) (Nurhayati & Noprika, 2020). Based on the testing of three panel data regression models, Common Effect, Fixed Effect, and Random Effect using two stages of testing, namely the Chow test and the Hausman test, the results indicate that the Fixed Effect Model is the most appropriate. Therefore, the Fixed Effect Model is employed as the panel regression model in this study.

$$\text{PROF} = 0.406299109363 - 0.0211200811653 \cdot \text{SIZE} + 0.00325916919443 \cdot \text{AGE} + 0.00467026015927 \cdot \text{LIQ} + 0.0208054418004 \cdot \text{LEV} + e$$

- The constant coefficient value of 0.4063 indicates that if all independent variables—Firm Size (SIZE), Firm Age (AGE), Liquidity (LIQ), and Leverage (LEV)—remain constant, then the dependent variable, Profitability (PROF), will increase by 0.4063.



- b) The beta coefficient for Firm Size (SIZE) is -0.0211 , meaning that for every one-unit increase in firm size, profitability (PROF) decreases by 0.0211 .
- c) The beta coefficient for Firm Age (AGE) is 0.0033 , indicating that each additional year in a firm's age leads to a 0.0033 increase in profitability, assuming other variables are held constant.
- d) The beta coefficient for Liquidity (LIQ) is 0.0047 , meaning that a one-unit increase in liquidity will increase profitability by 0.0047 .
- e) The beta coefficient for Leverage (LEV) is 0.0208 , indicating that a one-unit increase in the leverage ratio will raise profitability by 0.0208 .

4. F-Test (Model Feasibility Test)

The F-test (model feasibility test) is conducted to determine whether all independent variables collectively (simultaneously) have a significant influence on the dependent variable.

Tabel 5. F-Test

<i>F-Statistic</i>	6.098461
<i>Prob (F-Statistic)</i>	0.000006

Source: Processed using Eviews 12 (2025)

Based on the hypothesis testing results in Table 4.11, the Prob (F-Statistic) value is 0.000006 , which is lower than the significance level of 0.05 . Therefore, the regression model in this study is considered feasible, indicating that firm size, firm age, liquidity, and leverage simultaneously have a significant influence on profitability.

5. Coefficient of Determination Test (R^2)

The coefficient of determination (R^2) is used to measure the extent to which the independent variables can explain the variation in the dependent variable. This test is conducted using the Adjusted R-Squared value in the regression model. The value of R^2 ranges between zero and one. An R^2 value close to zero indicates that the independent variables have little explanatory power over the variability of the dependent variable. Conversely, an R^2 value close to one suggests that the independent variables explain a substantial proportion of the variation in the dependent variable.

Tabel 4. Coefficient of Determination Test (R^2)

<i>R-Squared</i>	0.802592
<i>Adjusted R-Squared</i>	0.670986

Source: Processed using Eviews 12 (2025)



Based on Table 4, the Adjusted R-Squared value is 0.670986, or 67.10% in percentage terms. This indicates that the independent variables used in this study—firm size, firm age, liquidity, and leverage—are able to explain 67.10% of the variation in the dependent variable, profitability. The remaining 32.90% is explained by other factors not included in this study.

6. Hypothesis Testing (t-Test)

The hypothesis test aims to determine whether each independent variable, firm size, firm age, liquidity, and leverage has an effect on the dependent variable, profitability. If the probability value is greater than 0.05, the independent variable individually (partially) does not have a significant effect on the dependent variable. Conversely, if the probability value is less than 0.05, the independent variable individually (partially) has a significant effect on the dependent variable.

Tabel 5. t-Test

Variable	Coefficient	t-Statistic	Prob.
SIZE	-0.021120	-3.016604	0.0052
AGE	0.003259	1.340342	0.1902
LIQ	0.004670	4.586086	0.0001
LEV	0.020805	3.717159	0.0008

Source: Processed using Eviews 12 (2025)

The effect of each independent variable on the dependent variable is explained as follows:

- The first hypothesis in this study states that firm size has a positive and significant effect on profitability. The t-test results show that the t-statistic for firm size (SIZE) is negative with a p-value of 0.0052. Since the p-value (0.0052) is less than the significance level of 0.05, it can be concluded that firm size has a negative and significant effect on profitability. Thus, H1 is not accepted.
- The second hypothesis states that firm age has a positive and significant effect. The t-statistic for firm age (AGE) is positive with a p-value of 0.1902. Since the p-value (0.1902) is greater than 0.05, it can be concluded that firm age has a positive but not significant effect on profitability. Therefore, H2 is not accepted.
- The third hypothesis states that liquidity (LIQ) has a positive and significant effect on profitability. The t-test results show p-value of 0.0001, indicating that the p-value is less than 0.05. Therefore, liquidity has a positive and significant effect on the profitability of insurance companies, and H3 is accepted.
- The fourth hypothesis states that leverage (LEV) has a negative and significant effect on profitability. The t-statistic for leverage is positive with a p-value of 0.0008. Since



the p-value is less than 0.05, it can be concluded that leverage has a positive and significant effect on profitability. Thus, H4 is not accepted.

DISCUSSION

The Effect of Firm Size on Profitability

Firm size affects the profitability of insurance companies as it reflects the scale of operations and the amount of resources owned, including total assets. However, an increase in asset size without efficient management may not lead to improved profitability. Large insurance companies often operate under complex organizational structures, which can hinder decision-making processes, slow innovation, and reduce adaptability to market changes. Such inefficiencies may ultimately lead to lower earnings.

This result is consistent with the studies of Pradnyanita Sukmayanti & Triaryati (2020) and Noviandita & Sari (2019), which found a negative relationship between firm size and profitability. However, it contrasts with Candra et al. (2023) and Abdeljawad & Farhood (2024), who reported a positive effect. These conflicting findings indicate that possessing large assets does not necessarily lead to profitability unless firms can strategically and efficiently utilize those resources—an insight that aligns with the core principle of RBV.

The Effect of Firm Age on Profitability

Firm age does not significantly affect the profitability of insurance companies. In the insurance industry, financial success is more strongly influenced by operational efficiency, product innovation, risk management, and investment strategies than by the length of time a company has been operating. Older firms may lack adaptability to market shifts or technological advancements, making them less competitive than younger, more agile companies.

These results support the findings of Rahimah & Mahardika (2023) and Abdullahi (2023), who also concluded that firm age has no significant impact on profitability. However, this finding contrasts with the studies conducted by Noviandita & Sari (2020), Worku et al. (2024), Jeissica & Triyani (2022), Oktavia et al. (2020), and Kristanti et al. (2022), which found a positive effect of firm age on profitability, as well as the research by Hartini (2019), which identified a negative effect of firm age on profitability. The evidence reinforces the view that financial performance is less about how long a company has existed and more about its internal capabilities—specifically, how well it manages resources, embraces innovation, and maintains operational efficiency.

The Effect of Liquidity on Profitability

Liquidity significantly influences the profitability of insurance companies. It reflects a firm's ability to meet short-term obligations using current assets. In the insurance industry, liquidity is critical, as firms must settle claims promptly to maintain policyholder trust. High liquidity indicates effective cash management and resilience against short-term financial pressure, both of which contribute to improved profitability.



This finding aligns with the Resource-Based View (RBV), which asserts that a firm's internal resources—including liquid assets—can serve as sources of competitive advantage when managed strategically (Elya Dasuki, 2021). Strong liquidity allows firms to operate smoothly and maintain financial stability, enabling them to meet obligations and support core business activities without disruption.

The result is consistent with studies by Kristanti et al. (2022) and Worku et al. (2024), which found a positive and significant relationship between liquidity and profitability. Sufficient liquidity not only stabilizes short-term performance but also enhances a company's capacity for expansion, innovation, and responsiveness to market changes. From the RBV perspective, the efficient and adaptive management of liquid resources is essential to enhancing profitability in the insurance sector.

The Effect of Leverage on Profitability

Leverage influences the profitability of insurance companies by indicating the extent to which firms utilize debt to finance their operations. In the insurance sector, leverage serves as a critical metric for assessing a company's ability to meet long-term obligations. While high leverage can increase financial risk due to interest expenses, it also offers opportunities for enhanced returns when used effectively for productive investments, such as business expansion, digital transformation, customer service improvements, or high-yield financial instruments.

The findings of this study are consistent with RBV and supported by the results of Worku et al. (2024), who found a positive and significant relationship between leverage and profitability. However, this contrasts with studies by Hafsari et al. (2023), which reported a negative impact. This discrepancy suggests that the insurance companies examined in this study were able to manage their capital structure efficiently, turning debt into a performance-enhancing asset. Hence, the effective use of leverage reinforces the RBV proposition that financial advantage stems from strategic management of internal resources.

CONCLUSION

Based on the results of the empirical tests, the following conclusions can be drawn:

1. Firm size has a **negative and significant effect** on the profitability of insurance companies.
2. Firm age has **no significant effect** on the profitability of insurance companies.
3. Liquidity has a **positive and significant effect** on the profitability of insurance companies.
4. Leverage has a **positive and significant effect** on the profitability of insurance companies.

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