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Leverage Factors that Impact on Company's Financial Performance

Ninggar Parashtiwi*, Nurhastuty Kesumo Wardhani, Khomsiyah
Faculty of Economics and Business, Universitas Trisakti, Jakarta, Indonesia
Email: ninggarparashtiwi@gmail.com*, nurhastuti@trisakti.ac.id, khomsiyah@trisakti.ac.id

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ABSTRACT
The purpose of this study is to analyze the leverage factors that affect the financial performance of the company. Leverage factors used by researchers are company size, profitability, tangible assets, and growth opportunities. The method used is a qualitative library study through the analysis of research that examines the leverage that affects the financial performance of a company. Based on the stages of data processing in this study, it was found that the results of this study indicate that leverage reduces the financial performance of a company. The company's dependence on debt as a source of financing shows that the source of funds in the form of debt has only a small impact on financial performance and tends to decrease each year. Meanwhile, leverage uses the company's assets and strengths to incur short-term and long-term costs, such as debt, to carry out the company's goal of maximizing the wealth of the company's owners.

INTRODUCTION

The company's financial performance relates to the process by which limited resources in an organization or company are used effectively and efficiently with the general goal of the company to achieve current and future opportunities. However, financial leverage on the other hand as a measurement by how much equity is received in a company to use debt as a solution to use assets in a company (Mastarida, 2022). In this case, leverage is a measure of a company's exposure to financial risk.

A high level of financial leverage allows shareholders to earn a high return on equity, but is also exposed to a significant risk of loss if the return on assets is lower. Leverage used in corporate finance has the meaning as an activity that aims to fund more fixed costs compared to using relative costs. High leverage will result in high profitability in signaling theory so as to be able to change the structure related to capital with the aim of increasing or decreasing the measurement of debt to equity activities interpreted more in the leverage of a financial statement (Ochieng'Wayongah & Oima, 2019).

In addition to profitability, there is firm size that affects performance in a company's financial statements. This is because the size of the company that is getting bigger reflects the amount of capital owned, it will affect increased expenses such as interest, fees, and taxes. The capital structure of a company is the result of various financing sources (Chalise & Adhikari, 2022). As a consequence of taxes, information differences, and financing institutions are clearly important to corporate profits. Capital requirements for a business depend on the nature of the business, the size of the business, and various policies related to the business. Main capital is required from two sources, namely equity and debt.

Unfortunately, only components within the company that have definite business continuity can be calculated quantitatively, such as intangible and tangible assets that have a major impact on the company to reflect the capital owned by the company. In the modern business era, intangible assets are a vital strategic resource and are very important in creating corporate value and improving performance in the company's financial statements (Gamayuni, 2015). Research shows that intangible assets abound throughout the business world, touching nearly every aspect of a company, from product development to human resources, and staff

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functions such as legal operations, accounting, finance, and operations such as research and general, marketing, and general management (Qureshi & Siddiqui, 2020).

Apart from the recognition of the importance of intangible assets, there are conditions that make financial performance able to predict the company's future growth or growth opportunities and contribute to the company's growth opportunities by creating innovation within the company. With some of the obstacles experienced by several companies that have experienced bankruptcy or the current economic crisis caused by the pandemic, it has made everything unpredictable and a scarcity of financial resources to fund investments in intangible assets. With the characteristics of different companies, opportunities in improving the company by forming a management style that has great experience for policy makers, creation and development of incentive programs to help companies fund intellectual capital are suggested with the consideration that a performance company that has poor financial reports has more difficulties in accessing credit (Sardo & Serrasqueiro, 2018).

In the use of external funds in fulfilling operational needs that occur in a company, it must aim to produce a material advantage, but the use of debt will inevitably have symptoms or create other risks (Anandamaya & Hermanto, 2021). The risk that becomes an activity to use debt will result in a fixed type of burden such as interest expense. Therefore, companies must be careful to be able to engage in activities that are managing assets and managing sources of financing that are in other companies to generate and earn profits. If a company carrying out business activities displays a profit or profit that is not large enough and the resulting burden on the interest incurred is very large, it will later cause symptoms or financial problems and can lead to bankruptcy or can be called bankruptcy.

Information obtained from the performance displayed in the company can be seen from the financial statements of a company, especially the performance in a financial report that is needed by stakeholders in a company. These activities are carried out not only to maintain business consistency within a company which is required to continue to advance a performance within a company and to be able to compete with competitors in a competitive business. This is measured using leverage which can be done using factors, including firm size, profitability (return on assets), tangible assets (fixed assets increased by total assets) and growth opportunities (growth opportunities). This explanation is supported by Wicaksono(2020) who argue that companies can credibly demonstrate their commitment to stakeholders and reshape the company's capital structure by increasing performance using leverage. So based on this background, the purpose of this study is to analyze the leverage factor that has an impact on the company's financial performance.

METHODS

This research is a qualitative phenomenological type. The final stage of this research is to reveal or find the meaning of what is found (Sugiyono, 2019).

The research was carried out by researchers by collecting data using literature study which aims to obtain leverage information that influences or has an impact on performance variables in the financial statements of a company. This research was designed with several stages as follows;

1) Preparation
   Researchers conducted a preliminary study to collect information that strengthens the purpose of this study.
2) Implementation
   Furthermore, researchers determine research that examines the leverage on the company's financial performance.
3) Data analysis
   Researchers analyzed research related to leverage on company financial performance.
4) Conclusion
   After the researchers analyzed the research related to leverage on the company's financial performance, it was concluded to achieve the research objectives.

RESULTS

Ichsan (2018) explains in his research with the results in the form of a significant influence shown in the t test or it can be called partially between one variable and another variable in the form of leverage (X1), then the growth variable (X2) and other variables namely tangible assets (X4) to the variable appointed by the researcher with the dependent variable in the form of the financial performance of The Green Resto in 2018. Meanwhile, other variables designated by the researcher with the independent variable in the form of taxes (X3) have no effect on the variable designated by the researcher with the dependent variable in the form of The Green Resto's performance.Green Resto Financial Performance in 2018 The leverage variable is the variable designated by the researcher with the most dominant independent variable or the most impact compared to the impact produced by other variables in influencing the variable designated by the researcher with the dependent variable in the form of financial performance at The Green Resto in 2018.

Naryono (2020) explains in his research with the results in the form of a significant influence shown in the t test or it can be called partially between the variable designated by the researcher and the dependent variable in the form of leverage (X1), while the other variable is growth (X2) and then on tangible asset variables (X4) to the variable designated by the researcher with the dependent variable in the form of the performance of the company's financial statements. Conversely, the fiscal variable (X3) has no effect on the variable designated by the researcher with the dependent variable being the performance of the company's financial statements.

Sanjaya and Rizky (2018) which produces a return on assets (ROA) with a decreasing impact compared to other variables in this research model. This is due to a decrease in productive activity which is shown in the form of company sales which indirectly has a decreasing impact on company profits and the evaluation carried out within the company in the formation of ROA from the research year, namely 2012 to 2016, has not complied with the rules that have been implemented or regulated. by the Ministry of Public Companies PER10/MBU/2014. The variable designated by the researcher with the independent variable in the form of return on equity, which is abbreviated as the ROE variable, decreased from 2015 - 2016 because the company was unproductive or did not generate profits which later covered the company's costs through its assets.

Research by Wibowo et al (2022) resulting in tax planning does not affect the variables designated by researchers with the dependent variable in the form of firm value. Tax avoidance has a significant positive effect on the variable designated by the researcher with the dependent variable being firm value. Profitability has a significant positive effect on firm value. The variable appointed by the researcher with the intervening variable in the form of financial performance cannot strengthen the influence of tax planning on the variable appointed by the researcher with the dependent variable in the form of firm value.

Research conducted by Rahmananda et al (2022) produce variables designated by researchers with independent variables in the form of liquidity ratios, activity ratios, solvency ratios, and profitability ratios have a significant positive impact on the variables designated by researchers with the dependent variable in the form of the performance of the company's financial statements. Some of the variable ratios appointed by the researcher with the independent variable in the form of liquidity, the ratio of other variables in the form of solvency and other ratios namely the activity obtained has a significant positive impact while the variable ratio appointed by the researcher with the independent variable in the form of profitability has a negative and insignificant effect on the variable appointed by researchers with the dependent variable in the form of the performance of financial statements of companies that are in the field of telecommunications.

Trisnajuna and Sisdyani (2015) explained in his research with the results in the form of variables designated by researchers with independent variables in the form of intangible asset values, then on variables namely research costs in addition to other variables in the form of development significantly influencing the variables designated by researchers with dependent variables in the form of market value and performance financial statements in a company.

Meiyana and Aisyah's research (2019) shows that the variable designated by the researcher with the independent variable in the form of environmental performance does not affect the variable designated by the researcher with the dependent variable in the form of financial performance, besides that the variable designated by the researcher with the independent variable in the form of adverse environmental costs or reducing the impact on the variables designated by researchers with the dependent variable in the form of financial performance, other impacts also show that company size has a positive influence on the variable

designated by the researcher with the dependent variable in the form of financial performance, other variables in the form of CSR positively influencing the variable designated by the researcher with the dependent variable in the form of performance finance, other variables in CSR can mediate the effect of the work environment on financial performance CSR cannot mediate the relationship of environmental costs to the variable designated by the researcher with the dependent variable in the form of financial performance and CSR can mediate the effect of firm size on the variable designated by the researcher with the dependent variable in the form of financial performance.

Research conducted by Wicaksono (2018) shows that in the model based on the variable appointed by the researcher with the independent variable in the form of ROA which is the variable that has a positive and significant impact on the variable appointed by the researcher the dependent variable is the size of the board of directors, the other variable is the independence of the commissioners and the last variable is the market for reserves per share . The variable that has a positive value but is not significantly affected by the variable designated by the researcher with the dependent variable being the activity of the directors, the next variable is audit committee size, the other is audit committee activity, another variable is price-earnings ratio and the last variable is company size. The negative and significant variable is leverage. Variables with negative values but not significant are examiner size, examiner activity and audit committee independence. The results showed that the variable appointed by the researcher with the independent variable was the size of the board of directors, another variable was the independence of the commissioners and the next variable was the market for the variable appointed by the researcher with the dependent variable being reserves per share. Variables that have a negative and significant effect on the variables appointed by the researcher with variables bound in the form of leverage, negative but not significant variables are variables designated by the researcher with free variables in the form of commissioner activities, then audit committee activities, other variables namely price-earning ratio and other variables that affect the size of the company.

Qureshi and Siddiqui (2020) shows that multi-group analysis (MGA) reveals that there are differences ($p < 0.05$) in the importance of the impact of assets on the criterion variables between various countries, for example the impact of assets on ROIC differs significantly between Russia, China and China, the United States.

Jannah and Sartika (2022) shows that the implementation of good corporate governance has a positive effect onthe variable designated by the researcher with the dependent variable in the form of firm value, which indicates that the implementation of good corporate governance in Indonesia has a positive impact on the development of the variable designated by the researcher with the dependent variable in the form of firm value. In contrast to the variables designated by the researcher with the independent variable in the form of company size and financial performance, it has a negative impact or can be explained as detrimental to the variable designated by the researcher with the dependent variable in the form of firm value if assets and profits are high compared to low company value and vice versa. On the other hand, the variable designated by the researcher with the dependent variable in the form of financial performance can be an intervention variable in the variable designated by the researcher with the independent variable in the form of good corporate governance and company size for the variable designated by the researcher with the dependent variable in the form of firm value in the direction positive. If company profits can affect the relationship between company size and good corporate governance, then the company value will increase. Based on these objectives and results, further researchers are advised to explore other indicators, reviewing various aspects. If company profits can affect the relationship between company size and good corporate governance, then the company value will increase. Based on these objectives and results, further researchers are advised to explore other indicators, reviewing various aspects. If company profits can affect the relationship between company size and good corporate governance, then the company value will increase. Based on these objectives and results, further researchers are advised to explore other indicators, reviewing various aspects.

Ningsih et al (2021) indicates that environmental performance does not affectthe variable designated by the researcher with the dependent variable in the form of financial statement performance, while company size has an effect on the variable designated by the researcher with the dependent variable in the form of financial performance. if the joint impact shows that environmental performance and company size affect the variable designated by the researcher with the dependent variable in the form of financial performance.

Fajaryani et al (2018) explained in his research with the results in the form of capital structure (DER), another variable in the form of liquidity (CR), and the next variable company size simultaneously has a

significant effect on the variable designated by the researcher with the dependent variable in the form of financial performance (ROE). In the test shown in the t test or it can be called partially capital structure (DER) and liquidity (CR) have a significant negative effect on the variable designated by the researcher with the dependent variable in the form of financial performance (ROE). While the variable designated by the researcher with the independent variable in the form of firm size (Ln Total Assets) has no significant effect on the variable designated by the researcher with the dependent variable in the form of financial performance (ROE).

Setyawan (2019) shows that the GCG proxy, namely the variable appointed by the researcher with the independent variable in the form of institutional ownership structure, another variable is the proportion of independent commissioners, and the next variable in the form of the number of audit committees has no significant effect on the variable appointed by the researcher with the dependent variable in the form of financial performance, only the variable that appointed by the researcher with the independent variable in the form of the number of directors which has a significant effect on the variable appointed by the researcher with the dependent variable in the form of financial performance. The variable designated by the researcher with the independent variable in the form of company size does not affect financial performance. Profitability has a significant effect on the variable designated by the researcher with the independent variable being company performance.

Patricia et al (2018) explained in his research with the results in the form of a variable designated by the researcher with the independent variable in the form of profitability having a positive and significant effect on the variable designated by the researcher with the dependent variable in the form of firm value. The variable appointed by the researcher with the independent variable in the form of liquidity has a negative and insignificant effect on the variable appointed by the researcher with the dependent variable in the form of firm value. The variable designated by the researcher with the independent variable in the form of firm size has a positive and insignificant effect on the variable designated by the researcher with the dependent variable in the form of firm value. The variables designated by the researchers with the independent variables in the form of profitability and liquidity have a positive and significant effect on the variables designated by the researchers with the dependent variable in the form of financial performance. The variable designated by the researcher with the independent variable in the form of firm size has a positive and insignificant effect on the variable designated by the researcher with the dependent variable in the form of financial performance. The positive influence shown from the impact of joint testing between the variables designated by the researcher and the independent variable between profitability, liquidity, and firm size on the variable designated by the researcher with the dependent variable being firm value will be more positive and stronger if financial performance also increases.

Bintara (2019) indicates that the size of the board of directors is detrimental to the financial performance represented by ROA. The size of the board of commissioners does not affect the financial performance represented by ROA in a negative direction. The proportion of independent commissioners has a positive effect on financial performance which is approached by ROA. The DPS variable has no effect on financial performance as represented by ROA. Company size does not affect financial performance as represented by ROA.

Karugu et al (2021) shows that interest rates and financial leverage have a positive effect on the financial performance of microfinance institutions. MFI owners and managers must implement risk management measures, such as risk identification, to prevent the influence of interest rates and the MFI's financial leverage on the company's financial performance.

Imeokparia et al (2021) explains in his research with the results that there is a total debt ratio and total debt capital ratio has a strong negative effect on the financial performance of the selected savings bank. The total debt ratio has a negligible positive effect on financial performance and the total debt to equity ratio is negatively significant on the financial performance of selected manufacturing companies in Nigeria.

Based on the results of previous studies, it shows that leverage reduces the company's financial performance. This shows that the source of funds in the form of debt has only a small impact on financial performance and tends to decrease every year. The main factor that is most determined is the policy issued by the management of the company that needs to use other alternative funding sources to maximize innovation which can then help the company get out of the financial crisis. In addition, every company requires sufficient capital as a source of capital, both internal and external. Capital collected from various sources is

the capital structure. This supports research Sanjaya (2018), Wibowo et al (2022), Rahmananda et al (2022), Wicaksono (2018), Seyawan (2019), Bintara (2019), and Imeokparia et al (2021).

Meanwhile, excess leverage can improve a company's financial performance through the use of company size, profitability, tangible assets, and growth opportunities. This shows that leverage is the level of the company's ability to use the company's assets and power to incur short-term and long-term costs, such as debt, to carry out company goals and maximize company wealth. Company owners. As conveyed by Ichsan (2018), Naryono (2020), Trisnajuna and Sisdyani (2015), Meiyana and Aisyah (2019), Qureshi and Siddiqui (2020), Jannah and Sartika (2022), Ningsih et al (2021), Fajaryani et al (2018), Patricia et al (2021), and Karugu et al (2021).

CONCLUSION

The results of the analysis of several studies on leverage on company financial performance are the measurements used in this study for variable leverage, namely firm size, profitability (return on assets), tangible assets (fixed assets increased by total assets) and growth opportunities (opportunities growth). Leverage is like a double-edged sword that can improve financial performance or reduce or even have no impact on the company's financial performance. Obstacles found that financial performance did not change after increasing leverage included short-term and long-term debt. Debt is considered a source of funding that will be used as capital by the company, but will reduce turnover and increase costs that must be incurred each year and make the balance sheet unbalanced. This also has more impact on the manager's policy in managing funding within the company as capital. In addition, the company's financial performance increased after increasing leverage, this was done because funding in the form of debt was able to increase the potential for innovation as a new breath for the company to get out of the crisis. In addition, there are current loans paid by the company as long-term and short-term liabilities.

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