Global Research Network Publishing e-ISSN: 3047-2466
TECHNOVATE: Journal of Information Technology and Strategic Innovation Management
Vol 2, No 3, July 2025, pp.141-147

The Effect of Managerial Ownership, Profitability, and Company Size on Financial Performance in Basic Materials Companies Listed on the Indonesia Stock Exchange for the Period 2020–2023

Widya Permata Sari[1*], Uswatun Khasanah[2], Triana Yuniati[3]
[1*,2,3]*Fakultas Ekonomi dan Bisnis, Universitas Bhayangkara Jakata Raya, Jakarta, Indonesia*
[*]202110315038@mhs.ubharajaya.ac.id

ARTICLE INFO

Article History:
Received 15 June 2025
Revised 22 July 2025
Accepted 31 July 2025

Keywords:
Managerial Ownership;
Profitability;
Company Size;
Financial Performance

ABSTRACT

This study aims to examine the Influence of Managerial Ownership, Profitability and Company Size on Financial Performance in Basic Materials Companies listed on the Indonesia Stock Exchange for the period 2020 – 2023. The variables used in this study are Financial Performance as a dependent variable, and Managerial Ownership, Profitability and Company Size as independent variables. The sampling technique used was the purposive sampling method and obtained as many as 33 samples of companies from 93 companies listed on the Indonesia Stock Exchange (IDX) and the number of observations was 123 data samples. The data processing in this study uses IBM SPSS (Statistical Product and service solution) version 23. The results of this study show that Managerial Ownership has no effect on Financial Performance, Profitability has a positive effect on Financial Performance, and Company Size has a negative effect on Financial Performance.

1. Introduction

Indonesia Emas 2045 is an ambitious vision that aims to make Indonesia a superior and competitive country in the global arena, by being able to overcome challenges such as corruption and poverty. To achieve this goal, improving the economic sector, especially companies listed in the raw materials industry, and optimal financial performance is important for operational success and the realization of the Company's vision of financial performance. This refers to the company's ability to manage and manage existing resources. It reflects the financial health of a company and can be analyzed to determine the financial strengths and weaknesses over a given period (Satria & Zaitul, 2023).

The phenomenon found in this study lies in the company PT. Timah Tbk. Based on sources https:/market.bisnis.com experienced a decline in financial performance in the first quarter of 2023 due to the fall in global tin prices. Tin price fluctuations also tend to decrease due to low demand, which affects the operational performance of PT Timah Tbk, the largest tin mining company in Indonesia.

PT Timah Tbk recorded tin exports in the first quarter reaching 93% of total sales to six export destination countries, namely South Korea 13%, the Netherlands 11%, Japan 17%, Taiwan 9%, the United States 8% and Italy 7%. In addition to the decrease in selling prices, the decrease in cost of revenue also had an impact on the company's financial performance in the first quarter. "The average selling price of tin decreased by 39%, from 43,667 USD per ton in the first quarter of 2022 to 26,573

USD per ton in the first quarter of 2023," said Fina. Meanwhile, the Company's revenue expenses decreased by 41.9% from IDR 3.28 trillion in the first quarter of 2022 to IDR 1.91 trillion in the first quarter of 2023. It was recorded that PT Timah Tbk recorded a turnover of IDR 2.17 trillion in the first quarter of 2023. This achievement decreased by 50.6% compared to the previous year, while in the first quarter of 2022 the turnover reached IDR 4.39 trillion (Damara, 2023).

The first factor that affects financial performance is Managerial Ownership. Managerial ownership is an important factor in a company's valuation. Managerial ownership is a system in which managers and supervisors own shares in a company with the aim of improving the company's performance and value. Managerial ownership helps reduce agency conflicts that occur between managers and shareholders. The main problem of agency conflicts arises from selfish behavior because the personal goals of the company manager may be related to the goal of maximizing profits for shareholders. By allowing managers to own shares, the goal is to ensure that their interests are aligned with those of shareholders (Rivai & Putra, 2024).

Managerial ownership is a form of supervision that can improve the quality of reporting, because the owner who usually functions as a supervisor of the company's management is directly involved in the activity until the process of preparing financial statements. Managerial ownership refers to the proportion of ownership of the company by the management. In addition, managerial ownership can also reduce agency problems that arise within the company. Thus, the owner will make a report that includes all the activities that have been carried out against the company. Therefore, managerial ownership can increase the effectiveness of management work while reducing the potential for conditions that can be detrimental to the Company (Setiowati, 2024).

The second factor that affects financial performance is Profitability. Profitability is a description of the company's ability to obtain profits from the activities carried out. The profits obtained from such activities over a given period depend on the company's ability to increase its profitability or vice versa. Profitability also plays an important role for companies to maintain long-term performance. Profitability is also used as a metric in a business that helps to recognize the prospects of the business well in the future (Lestari, 2021).

Profitability provides an overview of the level of effectiveness of a company's management. The higher the profitability, the better, because the welfare of the company owner increases with the higher the profitability. Thus, profitability can affect the value of the company. In this study, the measurement was measured using the Return on Asset (ROA) ratio. Return On Asset (ROA) is a ratio to measure the level of efficiency of a company's operational activities in generating net profit from the use of the company's assets. The higher the ROA value, the more efficient the use of the company's assets in generating a larger net profit, so that the company's position is better (Antari, 2023).

The third factor that affects Financial Performance is the Size of the Company. Company Size is a ratio of the size of a company that will give a positive signal to investors who will then invest their capital in the company, thus causing an increase in the use of external funds. The higher the total number of assets owned by the company, the greater the impact on the company's ability to manage all assets in carrying out its operations (Emitang, 2022).

The size of a company reflects its ability to make a profit. The bigger a company is, the more profit it generates. If managers want high profits, this can be explained by good company performance. Investors expect income and security in trading, they must consider the size of the company in their investment strategy. Investors have more trust in the company because it is better known to the public, making it easier for them to get the information they need. Companies that have a lot of assets become mature and become more stable (Sinaga, 2024).

Based on the background, the phenomenon of a variety of previous research results, and there are differences in the previous research that has been described above, so this research needs to be continued. Thus, the title that can be taken for this study is "The Effect of Managerial Ownership, Profitability and Company Size on Financial Performance in Basic Materials Companies Listed on the Indonesia Stock Exchange for the period 2020 – 2023".

2. Literature Review

Agency Theory

The agency theory was first discovered by Jensen and Meckling in 1976. Jensen states that agency relationships occur when they hire one or more people (managers). The principal is the owner or investor and what is meant by the management agent is the one who runs the company. The essence of the agency relationship is the division of functions between the assets in the investor and the control of management. If the Ownership and management functions are separate, this creates an agency conflict between the owner and the management. Conflicts of interest between owners and agents arise due to management opportunities. Therefore, not always acting according to the owner's wishes incurs agent fees. Agency fees are the costs incurred by the owner to oversee the management. There is an inconsistency between the decisions taken by management that improve the welfare of the owners, causing losses or a decrease in the welfare of directors (Purba et al., 2023).

Financial Performance

According to the Indonesian Accounting Association (IAI) (2007), financial performance is the ability of a company to manage and control the resources it has. Financial performance is an analysis carried out to see how well and correctly a company has implemented financial implementation rules. Financial performance is the performance of a company in a period that describes its financial health (Wibawa & Christian, 2024).

Financial performance is used as a measure to evaluate a company's performance. The evaluation of a company's financial performance is carried out by examining public financial statements and using financial ratios. Financial statements are used by many stakeholders to help them make informed financial decisions, including investment choices and business performance evaluations. Evaluating the financial performance of a company is a mechanism used by management to monitor the distribution of liquidity to shareholders who act as investors, and it is very important to achieve the company's goals. Evaluate the financial performance of a company by measuring the profitability ratio. The performance metric used to measure profitability is return on assets (ROA) (Liviana et al., 2024).

Managerial Ownership

Managerial ownership is a state in which the manager owns the shares of the company or in other words the manager is also a shareholder of the company. Managerial ownership will encourage management to improve the company's performance, which increases the company's value. The information imbalance approach considers the mechanism of managerial ownership structure as a tool to reduce information imbalance between insiders and outsiders by disclosing information within the company. The management of a company that owns shares is called managerial ownership. When the percentage of ownership of the company manager is high, then it is possible to decide to determine the percentage of dividends using the Company's income (Adiaksa & Novianti, 2024).

Managerial ownership can be measured by the managerial ownership ratio, which is a measure of the percentage of shares owned by the company's management, such as the board of directors and the board of directors, then divided by the number of outstanding shares (Wibawa & Christian, 2024).

Profitability

Profitability is an instrument used to measure a company's financial performance, where management is used to measure the company's wealth which is reflected in the profit earned by the company. The high profit rate shows that the company is doing well in terms of finances and the audit process is running smoothly. On the other hand, if the profit level is low, then this indicator indicates that the company's financial performance is less than optimal, and its management seems less effective. Therefore, the higher the profitability ratio, the more efficient the productivity of assets in generating net profit, thereby increasing the company's attractiveness to investors (Lutfiana & Hermanto, 2021).

The high profitability of a company is considered more important than the maximum profit generated in each period, because through the measurement of profitability, we can find out the extent to which the company is able to generate the highest profit compared to the amount of capital used. In this study, Net Profit Margin is used as a measurement tool to determine profitability. A certain level of sales can indicate a company's ability to earn a net profit. To calculate Net Profit Margin, it is necessary to evaluate the company's net profit and sales. An increase in the Net Profit Margin value indicates better company productivity, which in turn will encourage investors to invest and increase the Company's share price (Era, 2024).

Company Size

Company size refers to the grouping of companies into several categories, such as large, medium, and small companies. The size of a company is a measure that reflects the size of a company based on the total assets owned. The assessment of the small business also considers the sector or field of business being run. To determine the size of a company, the natural logarithm of total sales and the natural logarithm of total assets can be used. Large companies have several advantages compared to small companies. First, large companies have an easier time getting funding from the capital market. Second, they have better bargaining power in negotiating financial contracts. Third, the possibility of the influence of cost scale and return on investment allows larger companies to generate higher profits (Kusumardana et al., 2022).

The size of a company can be divided into two categories, namely large and small. Companies with large sizes tend to have an easier time obtaining capital in the stock market because they are considered to have a more stable performance compared to companies that have a small size. There are three factors that affect the size of a company, namely the size of total assets, the size of sales results, and the size of market capitalization. The size of the assets owned by the company provides clues about the assets it owns.

3. Research Methods

The method used in this study is a quantitative research method using secondary data obtained from the Indonesia Stock Exchange (IDX). Quantitative research is a type of research that produces findings obtained through statistical procedures or other methods related to measurement (Haritanto, 2022). The type of research in this study uses a quantitative approach with secondary data taken from existing sources (Haritanto, 2022). The data includes annual reports and annual financial statements accessed through the website of the Indonesia Stock Exchange at www.idx.co.id. The research object consists of annual reports and annual financial statements of basic materials companies listed on the Indonesia Stock Exchange for the period 2020 – 2023. The analysis and testing tool used in this study is IBM SPSS version 25. The research design includes four variables, where financial performance serves as the dependent variable, while managerial ownership, profitability, and company size act as independent variables. The dependent variable, namely financial performance, is measured using ROA or *Return on Assets*. Meanwhile, the independent variable Managerial ownership in a company can be evaluated by comparing the number of shares held by the manager with the total outstanding shares in the Company, profitability is measured by *Return on Equity*and Company Size using Natural Logarithms.

Conceptual Framework

The conceptual framework in this study is built based on literature review and previous research in understanding the phenomenon that exists in the *Basic Materials* sector in the Indonesia Stock Exchange. The variables used in this study are managerial ownership (X1), profitability (X2), company size (X3), and financial performance (Y). So schematically, the conceptual framework is described as follows.

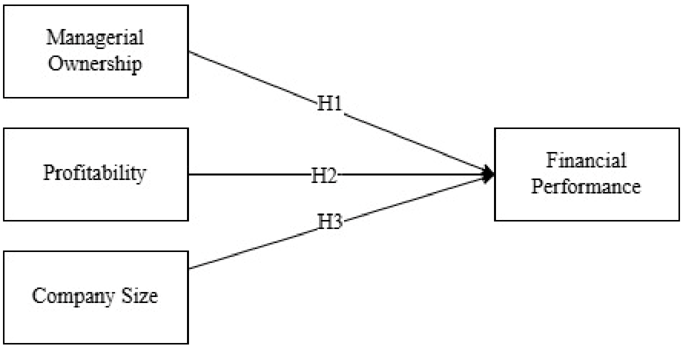

Fig.1. Conceptual Framework

4. Result and Discussions

The Influence of Managerial Ownership on Financial Performance

Based on the results of the partial statistical test showing that the Managerial Ownership variable has a negative effect on Financial Performance can be seen in table 4.8, the calculated value of the Managerial Ownership variable is -2.097 with a significant value of 0.038 which means that the calculated value is smaller than the table (-2.097 < 1.979) with a significant value less than 0.05 (0.038 < 0.05) so that it can be concluded that Managerial Ownership has a negative effect on Performance Finance. Then hypothesis 1 (H1) is accepted.

The Effect of Managerial Ownership on Financial Performance

The results of the study stated that the managerial ownership variable had no effect on the Financial Performance variable. The results show that the rejection of this hypothesis is caused by a low level of managerial ownership, which results in poor performance of managers in managing the company. In addition, managers who play the role of minority shareholders have not been able to actively contribute to decision-making in the company, so this does not have an impact on the company's financial performance. In this study, in line with Yulianti & Cahyonowati (2023) agency theory that states that the higher the Managerial Ownership in a Company, the less likely the management will be to use resources and reduce agency costs as a result of differences in interests, so that it will improve Financial Performance.

The Effect of Profitability on Financial Performance

The results of the study show that profitability has a positive influence on the company's financial performance. Because if the company wants to get an indication of good performance prospects in the future to increase stock demand, then the company must be able to generate high profits, so that financial performance will also increase. Conversely, if the profit value is low, this can have an impact on stock price changes and cause a decline in the company's financial performance in the capital market. Companies that have high profits tend to meet their funding needs by using internal funds obtained from operational activities during a certain period (Lestari, 2021).

The Effect of Company Size on Financial Performance

The results of this study show that the variable of company size has a negative and insignificant influence on financial performance. This influence negatively indicates that the larger the size of the company, the lower the company's performance. This is since the large size of the company has not been supported by effective management of existing resources (total assets), so that financial performance has decreased. The size of the company does not have a significant effect on financial performance, which shows that having a large total asset does not guarantee maximum profits and can reduce the company's performance. The total assets used as proxies in this study do not affect financial performance and are not the main factor in achieving the company's goals. This research is in line with Lestari & Effriyanti. (2024) Contrary to theory, because a company of large size should have assets capable of generating high net profits.

5. Conclusion

Based on the results of testing and discussion regarding the influence of Managerial Ownership, Profitability, and Company Size on Financial Performance in Basic Materials Companies listed on the Indonesia Stock Exchange for the 2020 – 2023 period, the researcher concludes that: 1) Managerial ownership has no effect on Financial Performance. It can be concluded that the rejection of this hypothesis is likely due to the low level of managerial ownership, which results in the manager's performance in managing the company to be less than optimal. 2) Profitability has a positive effect on Financial Performance. It can be concluded that the high level of profitability indicates that the Company can carry out its operations efficiently, so that it is able to achieve maximum profits on financial performance. 3) The size of the company has a negative effect on financial performance. It can be concluded that this result shows that if the size of the company is getting bigger, then the company's financial performance will decline even more.

References

Adiaksa, N., & Novianti, N. (2024). *The Influence of Managerial Ownership and Financial Performance on Dividend Policy*. *20*(1), 48–61.

Antari. (2023). *The Effect of Profitability, Company Size, Liquidity and Managerial Ownership on Company Value in Manufacturing Companies in the Automotive and Components Sub-Sector on the Indonesia Stock Exchange in 2017-2021*. 1–30.

Damara, D. (2023). *The Cause of Tin Profit (TINS) Plummeted 98.50 Percent in the First Semester of 2023*. Damara, Dionisio.

Emitang, A. D. (2022). *The Influence of Capital Structure and Company Size on Financial Performance with Good Corporate Governance as a Moderating Variable (Empirical Study on Energy Companies Listed on the Indonesia Stock Exchange in 2018-2020).*

Haritanto, adi sulistyo nugroho walda. (2022). *Quantitative research method with a statistical approach*.

Kusumardana, T. R., Titisari, H. K., & Rois, Nur Ilham, D. (2022). 384-Article Text-699-1-10-20220805. *National Seminar of UNIBA Surakarta*, 978–979.

Lestari, A., & Effriyanti. (2024). The *Influence of Company Size, Capital Structure and Corporate Social Responsibility on Financial Performance*. *2*(2), 1091–1107.

Lestari, D. P. (2021). *The influence of profitability and liquidity on the company's financial performance*.

Liviana, A., Widiatmoko, J., & Indarti, M. G. K. (2024). The influence of corporate governance and company characteristics on financial performance. *Scientific Journal of Management, Economics, & Accounting (MEA), 8*(1), 1595–1617. https://doi.org/10.31955/mea.v8i1.3881

Lutfiana, D. E. S., & Hermanto, S. B. (2021). The influence of profitability, leverage and company size on financial performance. *Journal of Accounting Science and Research*, *10*(2003), 1–18.

Purba, R., Development, U., & Budi, P. (2023). *ACCOUNTING THEORY; An Understanding to Support Research in the Field of Accounting* (April Issue).

Rivai, Y., & Putra, F. E. (2024). *LUCRUM : Journal of Applied Business*. *1*(1).

Satria, I., & Zaitul. (2023). *The Influence of Good Corporate Governance on Financial Performance: Corporate Social Responsibility as Moderation (Empirical Study on Property and Real Estate Sector Companies Listed on the Indonesia Stock Exchange in 2018-2022) Department of Accounting, Fa*. 2–4.

Setiowati, E. (2024). *The Effect of Profitability, Liquidity, Leverage, Company Size, and Managerial Ownership Suffering from Financial Distress on Manufacturing Companies Listed on the Indonesia Stock Exchange in 2020-2022*. 1–34.

Sinaga, R. S. R. (2024). *the effect of leverage and company size on the financial performance of companies in banking companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period*.

Wibawa, K. S., & Christian, I. (2024). *The Influence of Financial Performance, Dividend Policy, Company Size and Managerial Ownership on Company Value After Initial Public Offering*. *16*(1), 31–43.

Yulianti, A., & Cahyonowati, N. (2023). The Influence of the Board of Directors, Independent Commissioners, Audit Committee, Managerial Ownership, and Institutional Ownership on Financial Performance. *Journal of Management Sciences (JIM), 12*(1), 1–14.

Zaman, M. B. (2024). *The Influence of Good Corporate Governance and Profitability on Financial Performance at PT Bank Sinarmas Tbk for the 2013-2023 Period*. *2*(3), 2321–2330.