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ANALYSIS OF THE EFFECT OF COMPANY SIZE, AGE, GOVERNANCE, AND OPERATING COSTS ON THE FINANCIAL PERFORMANCE OF FINANCING COMPANIES IN INDONESIA

Budiyono[1)], Harjum Muharram[2)]
[1, 2]Faculty of Economics and Business, Universitas Diponegoro, Semarang
Corresponding Email: budiyono2007@gmail.com

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Abstract

Conventional finance companies are an important part of the non-bank financial industry in Indonesia, which functions in financing investment, working capital, and public consumption. As a financial institution that supports national economic growth, its financial performance needs to be continuously analyzed and improved. This study aims to examine the effect of company size, company age, corporate governance, and operating costs on the financial performance of conventional finance companies in Indonesia. The method used in this study is a quantitative method using secondary data obtained from the annual financial reports of conventional financing companies registered with the Financial Services Authority (OJK) for the period 2019–2023. From a population of 179, 141 financing companies met the purposive sampling criteria, resulting in a total of 705 observations. After outlier trimming was carried out because there were indications of normality and heteroscedasticity problems, the final data analyzed were 495 observations. The analysis was carried out with SPSS 26.00 software using the multiple regression analysis method. The results of the study indicate that company size has a positive and significant effect on financial performance (ROA) (sig. 0.000; t-stat 3.713), company age has a significant positive effect on financial performance (ROA) (sig. 0.003; t-stat 2.953), corporate governance has a significant positive effect on ROA (sig. 0.007; t-stat 2.690), and operating costs have a negative effect on financial performance (ROA) (sig. 0.068; t-stat -1.832). The coefficient of determination (R^2 square) value of 0.109 indicates that the independent variables are able to explain 10.9% of the variation in financial performance of finance companies proxied by ROA. The implications of this study emphasize the importance for finance companies to expand their company scale and control operating costs strictly in order to improve financial performance. This study also opens up opportunities for further research to expand the scope of other factors, such as external macroeconomic factors that can affect the financial performance of finance companies in the future

Keywords: ***Company Size, Company Age, Governance, Operational Costs, Financial Performance (ROA), Conventional Finance Companies***

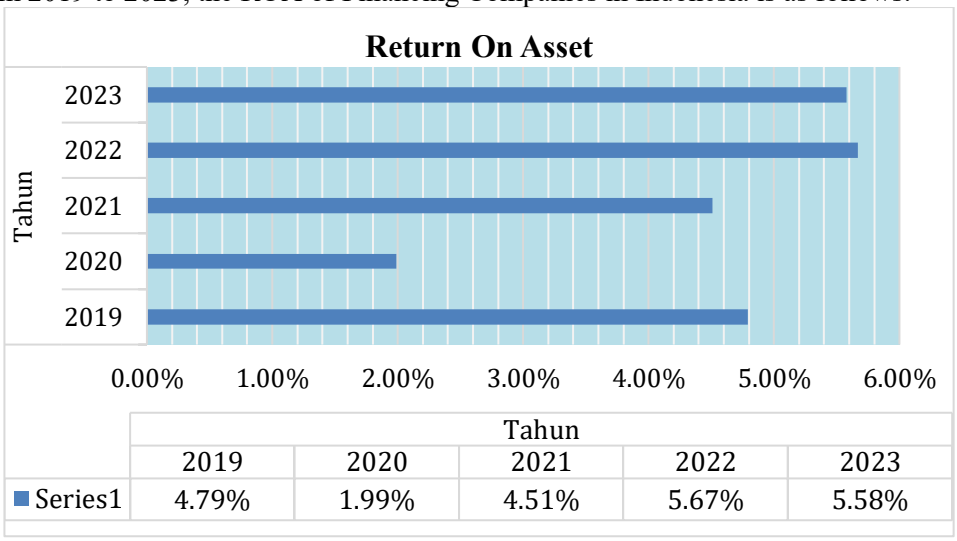
INTRODUCTION

Coinciding with the growth of development and the increasing economy in Indonesia, the need for credit or financing to support the development has also increased. In addition to credit or financing that is productive, consumptive credit has also increased. Sources of funding are not only obtained from banking, but can also come from the capital market or financing institutions(Buzgurescu & Elena, 2020).Law Number21 of 2011 concerning the Financial Services Authority as amended by Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector to explainthat "A Financing Institution is a business entity that carries out financing activities in the form of providing funds or capital goods". Furthermore, in Article 106 onThe Actstated that the scope of the Financing Services Business includes one of the activities of financing goods and services to the Community. Based on the Financial Services Authority Regulation (POJK) Number 28/POJK.05/2014 which regulates the Business License and Institutions of Financing Companies, it states that "A Financing Company is a business entity that carries out financing activities for the procurement of goods and/or services. In carrying out its operational activities, the Financing Company is guided by POJK Number 35/POJK.05/2018 dated December 27, 2018 concerning the Implementation of Financing Company Business, which has been amended to POJK Number 7/POJK.05/2022 dated May 17, 2022. Business activities that can be carried out by the Financing Company according to the POJK are: (a)

Investment Financing is defined as "Financing of capital goods and services required for business/investment activities, rehabilitation, modernization, expansion or relocation of business/investment premises provided to debtors"; (b) Working Capital Financing is defined as "Financing to meet expenditure needs that are used up in one cycle of the debtor's business activities"; (c) Multipurpose Financing is defined as "Financing of goods and/or services required by the debtor for use/consumption and not for business purposes or productive activities within the agreed period. And (d) Other financing business activities based on the approval of the Financial Services Authority.

*Profitability*Economics reflects the ability of a business to generate profits by using all available capabilities, including sales activities, capital, labor, office or branch networks, and other resources.(Rayman-Bacchus & Martinez, 2022). There is also an explanation that economic profitability is the ability of a business to make a profit, where this is related to income activities from the use of the company's total assets.(Raharjaputra, 2019). One method to find out how well an organization's financial performance is is the company's Return on Asset (ROA) level. How a business can use all its assets to generate profits can be measured by the company's ROA. The higher the profit of a business entity, the higher the ROA obtained. The amount of ROA is influenced by the organization's ability to generate profits through the sale of its products, which is indicated by the net profit margin and the activity of selling its products, which is indicated by the total asset turnover(Bringas-Fernández, López-Gutiérrez, & Pérez, 2024).

Based on data from 2019 to 2023, the ROA of Financing Companies in Indonesia is as follows:



	Tahun				
	2019	2020	2021	2022	2023
Series1	4.79%	1.99%	4.51%	5.67%	5.58%

Figure 1. ROA of Financing Companies (2019 – 2023)
Source: OJK Processed Data

Figure 1. above shows that the Finance Company industry experienced significant fluctuations in the Return on Assets (ROA) ratio during the 2019–2023 period. In 2019, ROA was recorded at 4.79%. However, in 2020 there was a fairly sharp decline to 1.99%, reflecting the major impact of the Covid-19 pandemic. This decline of 2.80 percentage points was caused by various factors, one of which was the government's policy in the form of the Implementation of Community Activity Restrictions (PPKM) to suppress the spread of the virus. This policy significantly reduced people's purchasing power, including the demand for automotive financing which is the main segment in the Finance Company portfolio. In addition, PPKM has an impact on the continuity of debtors' businesses, thus affecting their ability to meet payment obligations. Mobility restrictions and the implementation of Work From Home (WFH) also complicate the marketing and collection processes by finance companies, which also depresses financial performance. In 2021, as policies were relaxed and economic activity began to recover, ROA increased again to 4.51%, showing a recovery of 2.52 percentage points compared to the previous year.

This positive trend continued in 2022 with ROA reaching 5.67%, the highest point during the observation period. This increase reflects the improvement in national economic conditions, increasing public consumption, and the stabilization of financing company operations. In 2023, there was a slight decrease to 5.58%, or a slight decrease of 0.09 percentage points compared to the previous year. However, the ROA level in 2023 still showed relatively strong performance and was higher than before the pandemic, indicating that the financing company sector had succeeded in adapting and strengthening operations after the crisis. Thus, it can be concluded that the Covid-19 pandemic put great pressure on the profitability of financing companies in 2020, but this industry showed a fairly fast and consistent recovery ability in the following two years. Based on the ROA data of the Finance Company industry for the period 2019 to 2023, an interesting gap phenomenon is seen. Although ROA has recovered significantly after slumping in 2020 due to the Covid-19 pandemic, there is inconsistency in the profitability growth

trend. For example, ROA increased quite sharply from 1.99% in 2020 to 4.51% in 2021 and continued to rise to reach 5.67% in 2022. However, in 2023 there was a slight decrease in ROA to 5.58%, although in general the economic conditions have improved and business activities have returned to normal. This phenomenon shows that post-pandemic economic recovery does not automatically guarantee a sustainable increase in profitability in Finance Companies. This indicates that there are other factors that also affect financial performance, such as operational efficiency, asset quality, credit risk management, and suboptimal implementation of corporate governance. Thus, further research is needed to identify the key determinants that influence profitability, especially in the context of economic uncertainty and post-pandemic challenges.

This research is also to fill**research gap**in literaturethat there is still a contradiction in the influence between size, age, governance and operational costs on financial performance, presented as follows.

Table 1. ***Research Gap***

No.	Research Title	Researcher	Findings	Research Object
Research topics related to size				
1	*"The Relationship between Bank Size and Profitability: An Investigation on Deposit Banks in Turkey"*	Ceylan, et al (2017)	Bank size has a positive effect on profitability	10 (ten) banks listed on the Istanbul Stock Exchange in the period 2005 - 2015
2	*"The Impact of Bank Size on Profitability: An Empirical Study on Listed Jordanian Commercial Banks"*	Aladwan (2015)	There are differences in profitability between banks of different sizes.	Jordanian commercial banks during the period 2007 - 2012
Research topics on age				
3	*"Board Structure, State Ownership, Firm Age and Corporate Performance in Crisis: Evidence From China"*	He, Yunfei (2021)	Company age provides moderation on company performance	5,581 (five thousand five hundred and eighty one) companies on the Shanghai and Shenzhen Stock Exchanges during the period 2007-2015
4	*"Financial Performance Determinants with Size as Moderation"*	Wati, et al (2019)	Company age has a significant impact on financial performance	Manufacturing industry companies on the IDX during the period 2014-2017
Research topics on governance				
5	*"Impact of Corporate Governance on Firm's Performance"*	Dabor, AO and Isiavwe, D.T. (2015)	Too many directors reduce company performance, while the number of commissioners does not have a significant impact on company performance.	248 (two hundred and forty eight) companies on the Nigerian Stock Exchange during the period 2004 - 2013
6	*"The Influence of Corporate Governance on Financial Performance of Islamic Banks in Indonesia"*	Hanifah, Muchammad Syafruddin (2020)	Board size, committee size, and no effect on bank financial performance except DPS have a significant impact on ROA and ROE.	11 (eleven) Islamic banks in Indonesia for the period 2009-2018
Research topics on operational costs				
7	*"The Effect of Credit Risk Management And Bank-*	Siddique, et al (2020)	The financial performance (ROA	19 commercial banks in South Asia (Pakistan and

	Specific Factors on The Financial Performance of The South Asian Commercial Banks"		and ROE) of banks is negatively and strongly influenced by the Cost-efficiency ratio.	India) during the period 2009 - 2018
8	*"Assessing The Effect of Cost, Revenue And Profit Efficiency on Bank Performance: Empirical Evidence From Indian Banking"*	Rakshit, Bijoy (2021)	Banks that have higher cost levels significantly increase their profitability.	Bank in India during the period 1997 -2017

Source: Previous research, processed

This study is novel because it specifically analyzes the influence of company size, company age, corporate governance, and operating costs on the financial performance of financing companies in Indonesia. This study is important considering the lack of previous studies that comprehensively link these four variables in the context of financing companies, especially with a focus on the period before and after the Covid-19 pandemic. Most previous studies have focused more on the banking sector or public issuers, while financing companies have different operational and risk characteristics. In addition, this study uses panel observation data for five years (2019–2023) to capture the dynamics of changes in financial performance in crisis situations and economic recovery. Thus, the results of this study are expected to provide theoretical and practical contributions to the development of financial management literature and financing company management strategies in Indonesia in a more contextual and relevant manner to current conditions.

FORMULATION OF THE PROBLEM

Based on the phenomena and research gaps that have been described above, there are differences related to the influence of size, age, governance, and operational costs on company performance. Several studies state that size, age, governance, and operational costs affect company performance. However, several other studies explain that size, age, governance, and operational costs do not affect financial performance. Referring to the problems that have been explained previously, the following research questions are formulated:

1. Does the size of a financing company have a positive effect on the financial performance of financing companies in Indonesia?
2. Does the age of the Financing Company have a positive effect on the financial performance of Financing Companies in Indonesia?
3. Does the governance of Finance Companies have a positive effect on the financial performance of Finance Companies in Indonesia?
4. Do the operational costs of Finance Companies have a positive effect on the financial performance of Finance Companies in Indonesia?

LITERATURE REVIEW

Relationship Between Variables and Hypothesis Development

The Influence of Company Size on the Financial Performance of Finance Companies

To evaluate its impact on the financial performance of the Financing Company, its size is calculated based on the Company's total assets. Financing companies with large total assets have the capability to recruit high quality and competent human resources, create complete standard operating procedures (SOPs), and build reliable information technology systems that can help with business operations. According toGopal & Schnabl, (2020)company size has a positive impact on return on assets (ROA) when calculated using the natural logarithm of its total assets. Large companies listed on the IDX generate profits that are greater than their operating activities. Therefore, company profits increase with their size. Furthermore, a study from(Al-shami et al., 2024; Bai, Cheng, & Iris, 2022; Ferilli et al., 2024; Gartia et al., 2024; Habib, 2023; Sadiq & Gebba, 2022; Sindhu et al., 2024)also shows a positive relationship between company size and ROA. In addition, the study(Ceylan, Isil Erem, Fatih, & Yapa, 2017)states that bank size has a positive impact on profitability, and studies(Sadiq & Gebba, 2022)also stated that banks with larger bank sizes have higher profitability levels. Based on these things, researchers make hypotheses about how the size of finance companies affects financial performance, which consists of the following:

H1: Company size has a positive effect on the financial performance of financing companies as seen from ROA.

The Influence of Company Age on the Financial Performance of Finance Companies

In theory, long-established companies tend to be more experienced, have a good reputation, and usually show superior performance compared to younger companies. A good reputation allows these companies to earn higher profit margins from the sale of their goods or services. According toSamosir, (2018)Company age is used as an indicator in measuring the impact of the length of time a company has been operating on its financial performance. ResearchApriliani, (2018)in line with this view, where the findings state that the age of the company has a significant impact on financial performance. This provides an overview of the Company that has been operating for a long time, the greater its ability to improve operational efficiency and effectiveness, which has a positive impact on its financial performance. Research fromSamosir, (2018)explains that company age has a positive impact on financial performance, based on an analysis of 101 manufacturing companies listed on the IDX for the period 2012-2014. These results support the view that company age contributes to improved performance through the accumulation of experience and a better reputation. Based on this, the researcher makes a hypothesis regarding the effect of company age on the financial performance of Finance Companies as follows:

H2: Company age has a positive effect on the financial performance of financing companies as seen from ROA.

The Influence of Corporate Governance on the Financial Performance of Financing Companies

Financing companies that implement good entity management tend to have more optimal financial performance. The influence of corporate governance on financial performance has been widely studied, although the results of the studies show variation. Studies fromSadiq & Gebba, (2022)shows that corporate governance mechanisms, as measured by the use of external auditors and the number of boards of commissioners and directors, have an impact on the CAEL (Capital, Assets, Earnings, and Liquidity) indicators in conventional banking listed on the IDX from 2009 to 2011. This finding shows the importance of implementing good governance in improving the efficiency and sustainability of financial performance, both in conventional and sharia banking. The research conductedSjödin, Parida, & Kohtamäki, (2019)stated that governance variables have a significant influence on the financial performance of Islamic banks in the Gulf Cooperation Countries (GCC). The results of previous empirical studies, such as fromGartia et al., (2024), Hanifah, (2020)explains that corporate governance has a positive influence on ROA. This finding confirms that the implementation of proper governance can increase the efficiency of the use of company assets, which has a positive effect on financial performance. A well-managed financing company has the ability to carry out its operational activities effectively, so that it is able to achieve optimal financial performance. Based on this, the following hypothesis is given:

H3: Corporate governance has a positive effect on the financial performance of financing companies as seen from ROA.

The Influence of Company Operating Costs on the Financial Performance of Finance Companies

According toApriliani, (2018)states that operational costs are "all planned expenditures related to the distribution and sale of company products and expenses for running the organization". WhileCeylan, Isil Erem, Fatih, & Yapa, (2017)states that "operating expenses or business costs (operating expenses) are costs that are not directly related to the company's products but are related to the company's daily activities". Based on the Financial Services Authority Circular Letter Number 26/SEOJK.05/2019 concerning Amendments to the Financial Services Authority Circular Letter Number 3/SEOJK.05/2016 concerning Monthly Reports of Financing Companies, the components of operating costs that must be recorded in it include interest on loans obtained or securities issued with swap premiums and insurance premiums, labor costs including (salaries, wages, allowances, training costs, and other components related to employees), marketing costs for promotional and marketing activities for products or services, provisions or depreciation, including (provisions for doubtful accounts, depreciation of fixed assets leased-operated, and depreciation of other fixed assets), rental expenses related to the use of property or other assets, maintenance and repair costs to keep assets in good condition, administrative and general costs including other daily operating expenses, Other operating costs outside the above categories. These components provide a complete picture of the financing company's operational expenses in order to support its business activities. Research fromGrowe, G., DeBruine, M., Lee, J.Y., & Tudon Maldonado, (2014) revealed that profitability is negatively related to non-interest expenses and provisions for credit losses at regional banks in the United States. According toWang, Chen, & Cui, (2024)found that the operational efficiency variable, defined as the ratio between total assets and operating expenses,

has a significant and negative impact on ROA and ROE. Further research was conductedShereen MA, Khan S, Kazmi A, Bashir N, (2020)found that the Cost-efficiency ratio has a strong negative effect on the financial performance (ROA and ROE) of banks in South Asia. Meanwhile, research conducted by Rakshit, Bijoy (2021) found that banks with higher cost levels significantly increased their profitability. Based on these considerations, the researcher formulated the following hypothesis on the effect of company operating costs on the financial performance of Finance Companies:

H4: The company's operational costs have a positive effect on the financial performance of financing companies as seen from ROA.

Theoretical Framework

Based on several references from the literature review, the following is the research framework below.

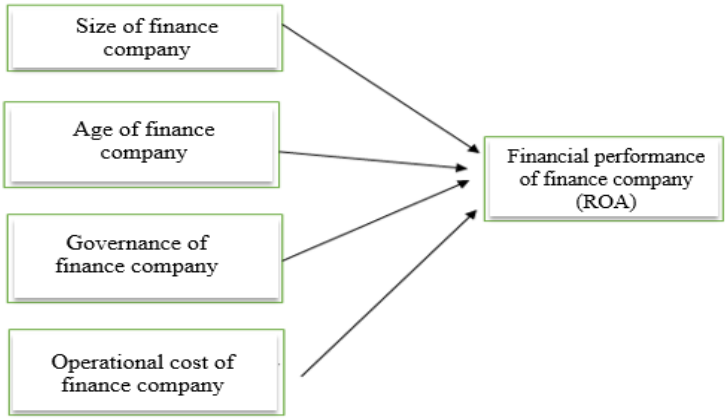


Figure 2. Framework of Thought

RESEARCH METHODS

Types and Sources of Research Data

This study uses a quantitative research design,using observational analytical studies, which are obtained through direct observation and processing of numerical data taken from the entity's financial report data. The purpose of this research is to analyze correlations, namely evaluating the relationship between factors that act as independent variables with dependent variables. This study focuses on how these variables influence each other and to what extent the relationship between the two can be explained statistically.

Population and Sample

According toSugiyono, (2015), population is defined as a general area, in which there are subjects, objects selected, to be studied and draw conclusions. In this study, the population is 176 conventional financing companies and 3 Islamic financing companies. Research samples are taken from the population based on their number and characteristics. The purposive sampling method is used to determine samples based on certain considerations.(Sugiyono, 2015).The samples comply with the specified characteristics, namely:

a) Conventional Financing Companies that have a business license from OJK for the period 2019 to 2023.
b) Conventional Financing Companies Located in Regions Throughout Indonesia2019-2023.
c) Conventional Finance Companies thatpublish complete financial reports onOJK for the period 2019 to 2023.

The number of samples in this study was 141 conventional financing companies that had business licenses in the 2019-2023 period and had submitted financial reports during the research period, namely 2019-2023.

Table 2. Number of Samples of Finance Companies

Net Assets	Number of Samples
Assets ≥ Rp5T	30
Rp500 M ≤ Assets < Rp5T	63
Assets < Rp500M	51
Number of Samples of Finance Companies	144

Method of collecting data

The data used in this study are secondary data. Statistical dataset is a data collection method used in this study. Asset data, the year the Financing Company obtained a business license from the regulator, the number of Directors, operational costs are taken from the financial statements of the Financing Company for the period 2019 - 2023 submitted by the company to the OJK.

Data Analysis Techniques

This study uses a quantitative data analysis approach, using a quantitative data analysis methodology with multiple regression test methods, normality tests, multicollinearity tests, heteroscedasticity, autocorrelation., as well as model feasibility tests, tests of the influence between research variables.

RESEARCH RESULTS AND DISCUSSION

Research result

Descriptive Data

From secondary data obtained through the financial reports of conventional financing companies that are consistently published at the OJK during the period 2019 to 2023, 141 conventional financing companies were obtained that met the purposive sampling criteria. Thus, the total observation data obtained was 705 observations (141 companies × 5 years of observation). However, based on the results of the classical assumption test in the early stages, indications were found of normality and heteroscedasticity problems which were suspected to originate from the unreasonableness of extreme values in some of the data. Therefore, an outlier trimming process was carried out on data that was far outside the normal distribution limits of 215 data. So that the final sample used was 495 research data after the outlier data process was carried out. Description of the variables thatusedin this study is presented as follows.

Table 3. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Company Size (X1)	495	24.50	31.02	27,6292	1.44418
Company Age (X2)	495	3.00	41.00	22,9010	9,36832
Corporate Governance (X3)	495	2.00	5.00	3,2848	,92954
Operating Costs (X4)	495	21.41	29.04	25,4632	1,79542
Return On Assets (Y)	495	-,029	,077	,02853	,024522
Valid N (listwise)	495				

a. Company Size

Company size in this study was measured using the natural logarithm of the total assets of the conventional finance companies that were sampled. The minimum value of company size was recorded at 24.50, while the maximum value reached 31.02. The average company size in the observation period 2019–2023 was 27.6292 with a standard deviation of 1.44418. This average value shows that the majority of conventional finance companies in Indonesia have medium to large asset scales. The relatively small standard deviation value indicates that most companies have asset sizes that do not deviate too much from the average, indicating homogeneity in the asset structure of conventional finance companies in Indonesia. This is important because relatively uniform company sizes reduce the bias of extreme influences from companies that are too small or too large, and reflect a fairly even level of operational stability and maturity.

b. Company Age

Company age is measured based on the number of years the company has been established until the last observation year (2023). The statistical results show that the minimum age of the company is 3 years, while the maximum age reaches 41 years. The average age of the company is 22.9010 years with a standard deviation of 9.36832. The fairly high average age indicates that most of the conventional finance companies in the sample have long operational experience, which in theory can support the stability, efficiency, and managerial capabilities of the company. However, the relatively high standard deviation reflects significant diversity in the level of maturity of the company, from those that are still newly established to those that have been operating for more than four decades. This variation provides a broad spectrum to observe how a company's historical experience affects its financial performance.

c. Corporate governance

Corporate governance in this study is measured based on the total number of board members listed in the annual report of each conventional finance company. The minimum value of the board of directors is 2 people and the maximum value is 5 people, with an average of 3.2848 and a standard deviation of 0.92954. The average value above the midpoint of the scale indicates that in general, conventional finance companies in Indonesia tend to have a board structure that is adequate enough to support good governance. A moderate standard deviation indicates that there is variation between companies in the number of board members. A larger board composition may reflect the company's efforts to strengthen its oversight and strategic decision-making functions, while a smaller composition may risk limited perspective and effectiveness of internal oversight.

d. Operating Costs (X4)

Operating costs are measured based on the proportion of costs incurred by the company to its overall operations. The minimum value was recorded at 21.41, the maximum at 29.04, with an average value of 25.4632 and a standard deviation of 1.79542. The relatively high average operating costs indicate that conventional finance companies bear significant fixed and variable costs in carrying out their business activities. The relatively low standard deviation indicates that most companies have a relatively uniform operating cost range, which can be interpreted as meaning that the company's cost structure is relatively controlled. However, cost efficiency remains an important factor that must be considered because it will have a direct impact on the company's profit margin and profitability.

e. Return on Assets (ROA)

Return on Asset (ROA) is used as a proxy for the company's financial performance (profitability). The minimum ROA value is -0.029 and the maximum value is 0.077, with an average value of 0.02853 and a standard deviation of 0.024522. The average ROA of 2.853% reflects that conventional finance companies are able to generate net profit of around 2.853% of total assets owned. This figure shows moderate performance and is still within reasonable limits for the asset-based financing sector. The negative minimum value indicates that some companies are experiencing operational losses, while the maximum value indicates that there are companies with high asset management efficiency. The small standard deviation indicates that the variability of profitability between companies is not too high, indicating that this sector is generally quite stable, although there are outliers or extreme cases in a small number of companies.

Data Normality TestBefore and After Outlier

The results of the first and second regression normality tests are presented as follows.

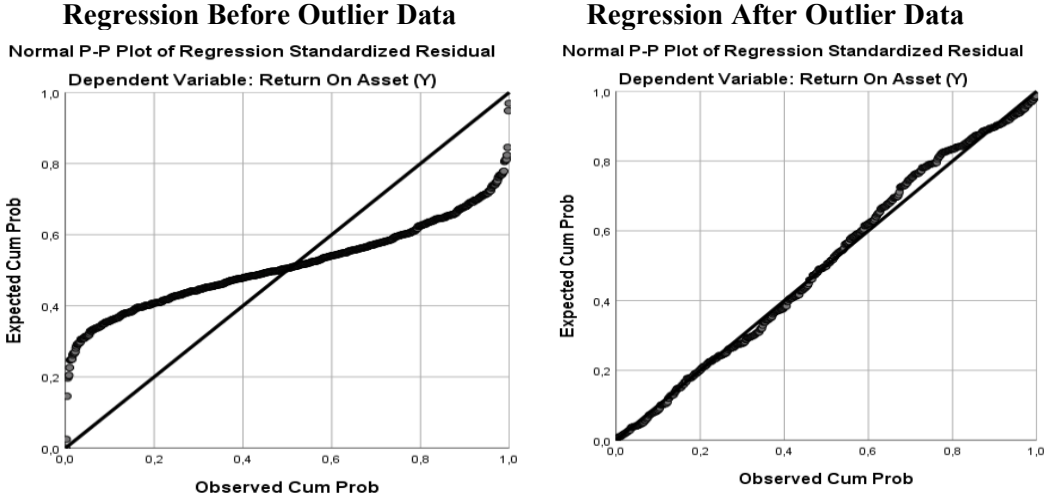


Figure 3. *PP Plot Normality* Test Before and After Outlier

In figure 3. above the P-plot normality test, it is known that the points are irregularly far from the diagonal straight line, which means that the data is not normally distributed. So it is necessary to do outliers on data that are indicated as not normal. After the outliers are shown in figure 3. On the right side, it shows that the normality assumption has been met, so it can be continued to the next stage.

Multiple Regression Analysis

The results of multiple regression analysis to see how much influence the independent variables have on the dependent variables by considering the coefficient values. The regression results are presented as follows.

Table 4. Multiple Regression Test

Variables	B	Std. Error	t	Sig.
(Constant)	-,086	,022	-3,879	,000
Company Size (X1)	,054	,001	3,713	,000
Company Age (X2)	,033	,000	2,953	,003
Corporate Governance (X3)	,004	,001	2,690	,007
Operating Costs (X4)	-,002	,001	-1,832	,068
R Square 0.109 Fcount 14.951				
Adjusted R2 0.101 Probability F 0.000				

a. Dependent Variable: Return On Assets (Y)

Source: processed data, 2025

In table 4. above, the results of the regression equation will be discussed, the results of the coefficient significance test are displayed as follows.

Regression Equation:

ROA = -0.086 + 0.054 X1 + 0.033 X2 + 0.004 X3 - 0.002 X4 + e

a. The negative constant value (-) indicates that if all independent variables are considered constant, it will reduce the financial performance of conventional financing companies located in regions throughout Indonesia in 2019-2023. However, the influence of this constant is more of a basis for calculating the relationship between other variables in the model.
b. It is known that the size of the company shows a positive coefficient (+) of 0.054. This means that at a significance level of 5% (0.05), the size of the company has a significant positive effect on the financial performance of Conventional Financing Companies located in regions throughout Indonesia in 2019-2023. This means that the larger the size of the company, the better the financial performance of the company. The direction of this relationship provides the conclusion that larger companies tend to have better financial performance.
c. Company age shows a positive coefficient (+) of 0.033. This result shows that at a significance level of 5%, company age has a significant positive effect on the financial performance of conventional financing companies located in regions throughout Indonesia in 2019-2023. This indicates that the longer the age of the company, the better its financial performance. The direction of this relationship indicates that companies that have been operating longer have more stable financial performance.
d. Corporate governance shows a positive coefficient (+) of 0.004. At a significance level of 5%, the corporate governance variable has a significant positive effect on the financial performance of conventional financing companies located in regions throughout Indonesia in 2019-2023. This means that improving the quality of corporate governance can improve financial performance. The direction of this relationship indicates that companies with better governance tend to have more optimal financial performance.
e. Operational costs show a negative coefficient (-) of -0.002. This result shows that at a significance level of 5% (0.05), the influence of the operational cost variable on financial performance, the direction of the relationship is negative but not significant.thatthe effect is inversely proportional, namely an increase in operational costs or the greater the operational costs, the financial performance will decline.However, a significance value greater than 0.05 (i.e. 0.068) indicates that the effect of operational costs on financial performance is not significant at the 5% significance level.This statement is not proven because it is indicated by the Sig. value of 0.068 >0.05.

Research Hypothesis Testing

t-test (Partial Regression Test)

The t-test is conducted to test the influence of each independent variable partially on the dependent variable in the regression model built. The main objective of this test is to determine whether each independent variable has a significant contribution to the financial performance of conventional financing companies in Indonesia. The test is conducted by considering the significance value (p-value), where if the p-value <0.05 then it can be concluded that the independent variable has a significant effect on the dependent variable. The results of the t-test on the regression are presented in the following table.

Table 5. t-Test on Regression Model

Variables	Unstandardized Coefficients B	Std. Error	t-statistic	Standardized Coefficients Beta	Sig.
(Constant)	-,086	,022	-3,879		,000
Company Size (X1)	,054	,001	3,713	,315	,000
Company Age (X2)	,033	,000	2,953	,127	,003
Corporate Governance (X3)	,004	,001	2,690	,139	,007
Operating Costs (X4)	-,002	,001	-1,832	-,153	,068

a. Dependent Variable: Return On Assets (Y)

In table 5. above, the t-test will be explained below.

a. Company Size Variable (X1)
Company Size has a positive and significant effect on the Financial Performance of Conventional Financing Companies in Indonesia, with a significance value of 0.000 <0.05 and a t-value of 3.713> 1.96. This shows that the larger the company size, the better the financial performance produced. The first hypothesis is accepted.

b. Company Age Variable (X2)
Company Age has a positive and significant effect on Financial Performance, with a significance value of 0.003 < 0.05 and a t-count of 2.953 > 1.96. This indicates that the longer the operational age of a finance company, the greater its ability to manage financial resources efficiently. The second hypothesis is accepted.

c. Corporate Governance Variable (X3)
Corporate Governance shows a positive and significant influence on Financial Performance (ROA), seen from the significance value of 0.007 <0.05 and the t-value of 2.690> 1.96. This means that the better the corporate governance practices, the higher the financial performance of conventional financing companies. The third hypothesis is accepted.

d. Operating Cost Variable (X4)
Operational Costs have a negative but insignificant effect on Financial Performance, with a significance value of 0.068 > 0.05 and a t-count value of -1.832 < 1.96. This means that although increasing operational costs tend to decrease financial performance, the effect is not proven because it is not statistically significant. The fourth hypothesis is rejected.

F Test (Simultaneous Effect)

The results of the statistical test of the f-test (simultaneous effect) in this regression aim to determine whether the independent variables consisting of Company Size, Company Age, Corporate Governance, and Operational Costs together (simultaneously) have a significant effect on the dependent variable, namely the Financial Performance (ROA) of Conventional Financing Companies in Indonesia. This test is carried out by considering the significance value, where if the significance value is <0.05, it can be concluded that all independent variables simultaneously have a significant effect on the dependent variable. The results of the regression test are presented below.

Table 6. *F-Test*Regression Model

Model	Fcount	Sig.
Regression 1 Residual Total	14,951	0,000

Source: processed data, 2025

Table 6. above the F statistical test shows that the F-count value is 14.951 with a significance value of 0.000. Because the significance value is smaller than 0.05 (0.000 <0.05), it can be concluded that the variables of Company Size, Company Age, Corporate Governance, and Operational Costs simultaneously have a significant effect on the dependent variable, namely the Financial Performance (ROA) of Conventional Financing Companies in Indonesia. This indicates that the four independent variables together are able to explain the variations that occur in the company's financial performance, so that the regression model is suitable for use in this study.

Model Determination Coefficient

The determination coefficient test is conducted to determine how much the regression model is able to explain the dependent variable based on the independent variables used in the study. The closer to the number 1, the greater the proportion of variability of the dependent variable that can be explained by the model (Ghozali., 2016).

Table 7. Regression Determination Coefficient

Model	R Square	Adjusted R Square
1	0.109	0.101

Source: processed data, 2025

Based on the results of the determination coefficient test in the table above, it is known that the R Square value of 0.109 indicates that 10.9% of the dependent variable, namely the financial performance (ROA) of conventional financing companies, can be explained by the independent variables used in the model, namely Company Size, Company Age, Corporate Governance, and Operational Costs. Meanwhile, the Adjusted R Square value of 0.101 indicates that after being adjusted for the number of variables and samples, around 10.1% of the variation in financial performance can still be explained by the model. This indicates that although the model can explain a small part of the variation in financial performance, there are still other factors outside the model that are not included in this study.

DISCUSSION OF RESEARCH RESULTS

The Influence of Company Size on Financial Performance (ROA)

The t-test results show that Company Size has a positive and significant effect on financial performance with a t-statistic value of 3.713 and a significance of 0.000 (<0.05). This finding indicates that the larger the size of a finance company, the higher the company's ability to generate profits from its assets.The findings of the research conducted are in line with the findings of the results of this study in line with the research conducted by Pervan and Višić (2012) and Almajali, Alamro, and Al-Soub (2012) which stated that large companies tend to have higher profitability due to economies of scale, operational efficiency, and access to wider funding sources. They observed that large companies have better ability to utilize assets.

Large company size reflects asset capabilities, organizational system maturity, and strength in facing external pressures, such as economic crises or industry competition. Companies with high total assets usually also have greater access to external financing, more efficient production capacity, and stronger bargaining power over suppliers and clients (Pervan & Višić, 2012).

Another study by Almajali, Alamro, and Al-Soub (2012) also found that company size has a positive relationship with profitability because large companies tend to have economies of scale, product diversification, and wider access to technology and capital markets. Therefore, large-sized finance companies can allocate financial resources more optimally and minimize operational costs per unit of activity, thereby increasing efficiency and financial performance.

The Influence of Company Age on Financial Performance (ROA)

The results of this study indicate that the age of the company has a positive and significant influence on the financial performance of finance companies, as measured by Return on Assets (ROA). This is indicated by the t-statistic value of 2.953 and a significance of 0.003 (<0.05), which means that the longer the company operates, the higher its level of profitability. This finding is consistent with various recent studies that highlight the importance of company age in improving financial performance.

One study that supports this finding is the study by Rwakihembo et al. (2023), who found that firm age has a positive correlation with financial performance in private limited companies in Uganda. They stated that older firms tend to have better operational efficiency and stronger market positions, which contribute to increased profitability.

Long-lived companies tend to have gone through multiple business cycles, built a stronger reputation, and have more established managerial and operational experience. According to research by Coad, Segarra, and Teruel (2013), company age is positively correlated with profitability because older companies usually have deep organizational knowledge, stable customer relationships, and proven decision-making systems.

In addition, companies with a long life are better able to anticipate market risks, adapt to regulatory changes, and maintain long-term income stability. In the context of the financing industry, companies that have been operating for a long time are also more trusted by customers and stakeholders because they have a historical track record in managing loans and credit risks.

The Influence of Corporate Governance on Financial Performance (ROA)

The results of this study indicate that corporate governance has a positive and significant effect on the financial performance of finance companies, as indicated by the t-statistic value of 2.690 and a significance level of 0.007 (<0.05). This indicates that the better the implementation of governance in conventional finance companies in Indonesia, especially during the 2019–2023 period, the higher the financial performance produced, in this case measured by the Return on Assets (ROA) ratio. This finding is in line with various previous and current studies which state that effective corporate governance practices can be the main determinant in creating managerial efficiency, minimizing agency conflicts, and strengthening supervision of strategic decision making. In the context of finance companies, governance practices that include transparency of financial information, accountability of the board of directors, independence of the audit committee, and protection of shareholder rights, can increase the trust of investors and other stakeholders, which ultimately contributes to the company's profitability.

Recent research by Abubakar, Chauhan, and Mutalib (2022) confirms that optimal board size contributes to effective supervision and improved financial performance, especially in complex financial sectors such as finance companies. A board with adequate members is better able to manage risks, oversee asset management, and ensure more objective decision-making.

However, it is important to note that the relationship between board size and firm performance is non-linear. Research by Al-Shattarat et al. (2022) found that a board size that is too small can hinder monitoring capacity and the quality of strategic decisions, while a board size that is too large can lead to inefficient coordination, increase agency costs, and slow down the decision-making process. Therefore, the "optimal number of board members" is key, large enough to provide diversity of expertise, but not too large to cause coordination dysfunction. Thus, it can be concluded that finance companies in Indonesia that have a proportional board size tend to be better able to improve their performance, either through more effective internal supervision, more accurate decision-making, or increased trust from investors and creditors.

The Influence of Operating Costs on Financial Performance (ROA)

Unlike the other three variables, the results of the analysis show that the operating cost variable has a negative but insignificant effect on the financial performance of financing companies in Indonesia, as indicated by the t-statistic value of -1.832 and a significance value of 0.068 (> 0.05). Although the direction of the regression coefficient indicates a negative relationship between operating costs and Return on Assets (ROA), the relationship is not statistically strong enough to be concluded as having a significant effect on the company's profitability.

Conceptually, operating costs reflect the total costs incurred by a company in carrying out its daily business activities, such as employee salaries, marketing costs, asset maintenance costs, and other administrative expenses. From a classical financial perspective, an increase in operating costs that is not balanced by an increase in revenue has the potential to reduce the company's profit margin and efficiency. This is in accordance with the theory of cost efficiency, which states that companies that are able to manage their cost structure efficiently will be better able to generate high profitability (Brigham & Houston, 2021).

However, in the context of the financing industry, operating costs are not always "negative" or detrimental. Some operating costs can actually be a form of long-term strategic investment aimed at increasing the company's competitiveness and sustainability. For example, spending on service digitalization, HR training, technology-based financial system integration, and office network expansion can increase operational efficiency and accuracy in the future, although they have not had a direct impact on profits in the short term (Lee & Kim, 2020).

This finding is supported by the research results of Kafetzopoulos and Gotzamani (2022) which states that in the financial services industry, operational cost efficiency is not only determined by the amount of expenditure, but also by the quality of management and allocation of these costs. They emphasize that companies that have an integrated budgeting and cost control system are able to maintain high profitability even though they face relatively large operational burdens.

On the other hand, the insignificant effect of operating costs can also indicate that the sampled financing companies have been able to maintain the stability of their financial performance despite facing cost fluctuations, by utilizing other efficiency strategies, such as optimizing interest income, diversifying financing products, and strengthening risk management. Thus, it can be concluded that operating costs require a more strategic and adaptive managerial approach, where they are not merely suppressed nominally, but optimized through systematic planning, implementation, and evaluation so that operating expenses have a positive impact on achieving long-term financial performance.

CONCLUSION

This study concludes that company size, company age, and governance (proxied by board size) have a positive and significant effect on the financial performance (ROA) of conventional finance companies in Indonesia during 2019–2023. Companies that are larger, have been operating for longer, and have a larger board of directors tend to show higher profitability. Meanwhile, operating costs have a negative but insignificant effect on ROA, possibly due to long-term investments that have not fully yielded results during the observation period.

RESEARCH LIMITATIONS

This study has several limitations. First, normality and heteroscedasticity problems were found which were overcome by trimming extreme data of 215 observations, which could affect the variation and generalization of the results. Second, the sample coverage is limited to conventional finance companies that consistently report finances to the OJK during 2019–2023, so the results do not reflect the conditions of all finance companies, including sharia ones. Third, governance is only proxied through the size of the board of directors, without considering other aspects such as independence or effectiveness. Fourth, other variables that have the potential to affect financial performance, such as leverage and revenue growth, have not been studied in this model.

FUTURE RESEARCH AGENDA

Based on the limitations of this study, the agenda for further research is suggested to include: first, expanding the sample to all financing companies in Indonesia, including sharia companies and those that have not consistently reported to the OJK, in order to obtain a more comprehensive picture of the industry; second, using more comprehensive governance proxies, such as board independence, the existence of an audit committee, background expertise, and frequency of meetings; and third, adding other external and internal variables such as interest rates, inflation, economic growth, leverage, and capital structure so that the analysis of financial performance is more comprehensive and accurate.

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