

The Effect of Profitability, Liquidity and Leverage on Profit Growth with Firm Size as Intervening Variable in Healthcare Sector Companies on the Indonesia Stock Exchange

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Abstract

This study examines the effect of profitability, liquidity, and leverage on company size and profit growth in the healthcare sector listed on the Indonesia Stock Exchange (IDX). Employing a quantitative research approach, the study utilizes numerical data and statistical analysis through path analysis to evaluate the relationships among variables. The population comprises 30 companies in the pharmaceutical and healthcare subsectors, with 15 firms selected as samples using purposive sampling based on the completeness of financial data from 2019 to 2023. Secondary data were collected from published financial reports available on the IDX website (www.idx.co.id). The findings reveal that profitability has a significant effect on company size, while liquidity and leverage do not. Furthermore, profitability significantly influences profit growth, whereas leverage and company size show no significant effect on profit growth. The study suggests that healthcare sector companies should consider company size as a relevant factor for enhancing profit growth, as it demonstrates a positive relationship with profitability performance. These results contribute to understanding the financial dynamics influencing corporate growth within Indonesia's healthcare industry.

Keywords: Profitability, Liquidity, Leverage, Company Size, Profit Growth, Healthcare Sector, Indonesia Stock Exchange

1. Introduction

Profit growth is undoubtedly a crucial goal for any company. Good profit growth indicates a company's sound financial standing, and ultimately, this increase in profit will also increase the company's value. A company with increasing profits can strengthen the relationship between company size and profit levels. Furthermore, profit growth is crucial because it is one of the main factors that determine whether a company is noticed and expected by investors, as it serves as an analytical tool for investment decisions.

Increasing profit growth can be achieved by improving the company's effectiveness and efficiency. The public generally measures a company's success based on its performance. This performance can be seen in financial reports presented regularly each period. These financial performance reports can measure and determine the company's growth rate in maximizing

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resources. Financial performance can be measured by analyzing the company's financial ratios, including profitability, leverage, and liquidity ratios.

Another factor that can influence profit growth is company size. According to [Riyanto \(2012\)](#), company size can generally be defined as a scale that classifies companies by various measures, including total assets, total sales, market capitalization, and so on. Company size is a key factor in determining a company's profitability, a concept commonly known as economies of scale (Niresh 2014). Company size is measured by its ability to obtain funds for business expansion. Large companies have significant access to funding sources, both capital markets and banks, to finance their investments and increase profits.

Profitability ratios are measures of a company's ability to generate profits using existing resources, such as assets, capital, or sales ([Siswanto, 2021](#)). These ratios indicate a company's efficiency in generating profits. Some profitability ratios include return on assets, net profit margin, and return on equity. The ratio used in this study is Return on Assets (ROA). The leverage ratio is a measure used to assess a company's ability to meet available funds with debt. Financing using debt carries a fixed burden; the use of debt must be able to balance profits and losses (Kalamudin and Indriani 2018). This means that if a company is called in, it will be able to meet its debts, especially those that are already due. Several leverage ratios include the debt-to-asset ratio, debt-to-equity ratio, and debt-to-capital ratio. The ratio used in this study is the Debt-to-Equity Ratio (DER).

Liquidity ratios are ratios used to measure a company's ability to meet short-term (current) financial obligations maturing within one year. We know that a company's assets can be liquid or less liquid ([Siswanto 2021](#)). This refers to the extent to which the company's debt exceeds its total assets. In a broad sense, leverage ratios measure a company's ability to pay all its obligations, both short- and long-term. Some liquidity ratio measurements include the current ratio, quick ratio, and cash ratio. The ratio used in this study is the Current Ratio (CR).

The healthcare sector is one of the sectors contributing to the national economy. The Ministry of Industry of the Republic of Indonesia states that the market value of pharmaceutical products in Indonesia accounts for approximately 27% of the ASEAN pharmaceutical market. Based on the 2015-2035 National Industrial Development Master Plan (RIPIN), the healthcare industry is a key sector that will play a significant role in future developments. Furthermore, the Ministry of Industry (Kemenperin) projects the healthcare industry to become a key sector by encouraging increased investment. Healthcare companies are publicly traded on the Indonesian Stock Exchange. Healthcare companies are engaged in healthcare research. This research aims to map the availability of healthcare facilities and the adequacy and distribution of healthcare workforce resources. However, although the healthcare sector makes a significant contribution to the national economy, it has slumped over the past three years due to the COVID-19 pandemic. Despite this initial downturn, the healthcare sector has rebounded, driven by various innovations, particularly online drug sales.

The emerging phenomenon in the Indonesian healthcare industry has also drawn scrutiny from this sector. One such issue is the oversight of online drug sales, which have a significant market share. On the one hand, online over-the-counter drug sales pose significant security risks, particularly regarding product quality assurance and safety. However, its economic potential is quite significant. (www.idxchannel.com, 2023). Data shows that the worst-performing profit growth fluctuates, with a profit of -0.25% in 2019, then an increase to 1.61% in 2020, and a decline to -0.29% in 2021. The lowest profit growth was in 2019, at -0.25%. The highest-

performing profit growth was in 2020, at 1.61%. Several factors can influence profit growth. Among these are company size and several financial ratios, including profitability, leverage, and liquidity. Company size can moderate the effects of profitability, leverage, and liquidity on profit growth. This refers to research by [Diyanti and Anwar \(2021\)](#), who stated that company size can moderate the effect of profitability, leverage, and liquidity on profit growth.

Furthermore, the average company size in the healthcare sector on the Indonesia Stock Exchange for the 2019-2023 period tended to be stable from year to year. The highest average company size was 15.01 in 2023. The lowest average company size was 14.46 in 2019. Furthermore, the average company size in the healthcare sector on the Indonesia Stock Exchange for the 2019-2023 period tended to be stable from year to year. The highest average company size was 15.01 in 2023. Meanwhile, the lowest average company size was 14.46 in 2019. Furthermore, the average profitability ratio, calculated using Return on Assets (ROA), for the Healthcare sector on the Indonesia Stock Exchange over the 2019-2023 period tends to be unstable from year to year. The highest average Return on Assets (ROA) was 2.79 in 2019. Meanwhile, the lowest average Return on Assets (ROA) was 0.05 in 2023. This is certainly inconsistent with [Riyanto \(2012\)](#) statement that good company profitability is defined as the company's ability to generate profits or gains within a given period. Companies with strong profit-generating capabilities demonstrate good company performance. The graph above shows that company profitability tends to be unstable.

Furthermore, the average liquidity ratio data for companies in the Healthcare sector on the Indonesia Stock Exchange for the 2019-2023 period, calculated using the Healthcare sector's Current Ratio (CR), fluctuates from year to year. The highest average current ratio was in 2021, at 3.59. Meanwhile, the lowest average current ratio was in 2023, at 2.69, indicating that the average company incurred a loss that year. This contradicts [Fahmi \(2017\)](#), who stated that the liquidity ratio is a company's ability to meet its short-term obligations in a timely manner. This ratio is crucial because failure to meet its short-term obligations can decrease the company's value or reduce investor interest. The graph above shows a downward trend in the liquidity ratio each year, indicating a company's ability to meet its short-term obligations, which can negatively impact the company.

The average leverage ratio, calculated using the Debt-to-Equity Ratio (DER), for the Healthcare sector on the Indonesia Stock Exchange for the 2019-2023 period fluctuated. In 2019, it was 0.53, the lowest average Debt-to-Equity Ratio (DER). Meanwhile, the highest average Debt-to-Equity Ratio (DER) for companies was in 2021, at 0.87. This contradicts [Fahmi \(2017\)](#), who stated that leverage is a ratio used to measure the extent to which a company is financed by debt. Excessive debt use can endanger a company, leading to extreme leverage and trapping it in high debt levels that make recovery difficult. The graph above shows an annual increase in average leverage, indicating that the company's debt is growing.

2. Literature Review

The Effect of Profitability on Company Size. According to [Setiyadi \(2011\)](#), profitability is a factor influencing company size. A company's revenue will always fluctuate. Company size can be demonstrated through its profitability ratio. Meanwhile, research by [Asri & Pertiwi \(2021\)](#) indicates that profitability does not influence company size. Profitability in the healthcare sector tends to fluctuate annually, significantly impacting company size. Uncertainty and variability in profitability make companies vulnerable to changes in operational scale, ranging from downsizing to consolidation to, in extreme cases, complete closure. Companies in this sector

must proactively manage risk and maintain flexibility to address fluctuations in profitability and support long-term sustainability. Declining profitability year after year can have a far-reaching impact on a company's size. With declining profits, companies face challenges across investment, production capacity, marketing, and the workforce. The effects of declining profitability include reduced operational scale, business unit closures, and difficulty maintaining or expanding the company's size. To address declining profitability, companies must make strategic adjustments, including operational efficiency measures, restructuring, and profitability improvement initiatives, to maintain or increase the company's size sustainably.

The Effect of Liquidity on Company Size. According to [Setiyadi \(2011\)](#), liquidity is a factor influencing company size. Larger companies are better able to meet short-term obligations than smaller companies. Meanwhile, [Regita and Sudarsi \(2024\)](#) research found that liquidity does not affect company size. Many factors contribute to poor company size, including liquidity fluctuations in the healthcare sector. Instability in cash flow and liquidity can limit a company's ability to run operations effectively, invest in growth, and maintain or expand its size. Companies must actively manage liquidity risk to ensure their long-term sustainability and stability.

The Effect of Leverage on Company Size. According to [Setiyadi \(2011\)](#), leverage is a factor influencing company size. Leverage is the extent to which a company's assets are used as collateral for its liabilities or debt ([Kasmir, 2015](#)). Company size increases in proportion to its total assets and sales. This relationship is supported by research by Wigati (2020), which found that leverage influences company size. Meanwhile, research by [Regita and Sudarsi \(2024\)](#) found that leverage does not affect company size. Fluctuations in leverage values occur in the healthcare sector. Instability in debt usage impacts financial stability, investment capacity, liquidity, and credit ratings. Companies must actively manage leverage risk to ensure their sustainability and growth, while maintaining a balance between debt and equity to support long-term size and development. Poor leverage can significantly impact a company's size over time by increasing debt burdens, making debt service more difficult, and limiting access to external financing. These negative impacts reduce a company's ability to invest in expansion and operations, slow growth, and can lead to a reduction in company size. To address these issues, companies need to restructure debt, improve operational efficiency, and carefully manage financial risks to support growth and maintain company size.

The Effect of Profitability on Profit Growth. According to [Murhadi \(2013\)](#), the factor influencing profit growth is company revenue. A company's revenue will always fluctuate. Whether a company's profit changes positively or negatively can be demonstrated through its profitability ratio. [Sari, Rosyafah and Masyhad \(2021\)](#) studied the effect of profitability on profit growth and found that profitability significantly impacted profit growth. Meanwhile, [Regita and Sudarsi \(2024\)](#) research found that profitability had no significant effect on profit growth. This aligns with the theory proposed by [Angkoso \(2016\)](#), who stated that past profit changes (profitability) are the factors influencing profit growth. This is why researchers chose profitability as a factor influencing profit growth. Poor profitability each year can hinder a company's profit growth by limiting cash flow, investment, and expansion. Declining profit margins, inefficient cost management, and difficulties in obtaining financing also impact a company's ability to generate additional profits. Furthermore, the negative impact on reputation and productivity can further limit potential profit growth. Overall, poor profitability requires in-depth attention and improvement strategies to address these challenges and restore healthy profit growth.

The Effect of Leverage on Profit Growth. [Angkoso \(2016\)](#), stated that leverage is a factor influencing profit growth, indicating the extent to which a company's assets are financed with debt, thus creating liabilities that the company must meet. The effectiveness of determining company policy is highly dependent on financial performance information. Research by [Dhea \(2018\)](#) on the effect of leverage on profit growth in manufacturing companies listed on the Indonesia Stock Exchange found a significant effect. Meanwhile, [Reinando \(2020\)](#) found no significant effect of leverage on profit growth. Leverage fluctuations can affect profit growth by altering interest expenses, financial risk, and access to financing. Changes in debt structure can impact profit margins, investment decisions, and cash flow stability. Furthermore, debt fluctuations can affect a company's reputation and investor confidence. To manage the impact of leverage fluctuations, companies need to maintain a balanced debt structure, manage risks prudently, and ensure that investment and operational decisions align with profit growth objectives.

The Effect of Company Size on Profit Growth. According to Hanafi and Halim, as quoted by [Angkoso \(2016\)](#), factors influencing profit growth include company size, which is measured by equity value, sales value, or asset value. This refers to research by [Diyanti and Anwar \(2021\)](#), who stated that company size can influence profit growth. Larger companies can leverage economies of scale, market power, and product diversification to increase profitability. They also have better access to capital, technology, and managerial expertise, which can support operational efficiency and innovation. While larger companies may face higher fixed costs, the ability to spread them over larger volumes and manage variable costs can support higher profit growth. Thus, large company size can provide a competitive advantage in increasing and sustaining profit growth.

3. Research Method

This research was conducted in the healthcare sector listed on the Indonesia Stock Exchange. The research employed a quantitative research method, emphasizing numerical data and statistical analysis to test hypotheses and determine the significance of the relationship between the variables. This study aimed to determine the effect of the independent variables Profitability (X1), Liquidity (X2), and Leverage (X3) on the dependent variables Company Size (Y) and Profit Growth (Z). Before using these variables as measurement tools in this study, they were first operationalized. These included: Profitability (X1), Liquidity (X2), Leverage (X3), Company Size (Y), and Profit Growth (Z). Net profit is an indicator of profit growth. Company size is an indicator of stock price and the number of outstanding shares. Profitability is measured by net profit and total assets. Leverage is an indicator of total debt and total equity. Liquidity is an indicator of current assets and short-term liabilities. The population in this study consists of 30 companies in the pharmaceutical and health research subsector listed on the Indonesia Stock Exchange. In this study, the researcher used a purposive sampling technique based on companies that have complete data from 2019 to 2023 and on the variables in this study. Therefore, based on these criteria, only 15 companies meet the requirements and are used as samples in this study. The data collection method used by the researcher in this study is the documentation method, in which all necessary secondary data is obtained from books, journals, and the internet. The data in this study are sourced from financial report records published on the Indonesia Stock Exchange website (www.idx.co.id). The data used in this study are secondary, time-series, quantitative data collected annually and obtained from various reliable sources, namely the website www.idx.co.id. The analytical method used in this study is path analysis.

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4. Findings and Discussions

Path analysis in this study was conducted to calculate the direct effect, indirect effect, and total effect. This can be seen from the following path analysis calculation results:

Direct Effect X to Y

Table 1. Coefficient Determination – Direct Effect

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.464 ^a	.215	.182	.47079

a. Predictors: (Constant), Leverage, Profitabilitas, Likuiditas

b. Dependent Variable: Ukuran Perusahaan

Table 2. Regression Result – Direct Effect

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	11.779	2.324		5.067	.000
Profitabilitas	-5.662	1.965	-.378	-2.882	.005
Likuiditas	.141	.137	.144	1.032	.305
Leverage	.662	.336	.227	1.971	.053

Based on the analysis test results, the R-Square value is 0.215, or 21.5%. This shows that the influence of profitability, liquidity, and leverage is 21.5%. In comparison, the remaining 78.5% is influenced by other variables not examined in this study, such as debt policy. To find the value of ϵ_1 , we can use the formula $\epsilon_1 = \sqrt{(1-R_{\text{square}})}$. Therefore, the resulting ϵ_1 in the path diagram coefficient of Model I is $\epsilon_1 = \sqrt{(1-0.215)} = 0.785$.

Based on the table above, the profitability coefficient is -0.378, the liquidity coefficient is 0.144, and the leverage coefficient is 0.227. Therefore, the equation model for Model I is:

$$Y = \text{Pyx1X1} + \text{Pyx2X2} + \text{Pyx3X3} + \epsilon_1$$

$$Y = -0.378 X_1 + 0.144 X_2 + 0.227 X_3 + 0.785$$

Furthermore, Table IV.10 shows that the profitability coefficient is 0.005, indicating a significant value < 0.05 . Therefore, profitability significantly affects company size. The sign of liquidity is $0.305 > 0.05$, so it can be concluded that liquidity has no significant effect on company size, and the sign value of leverage is 0.053, which means the sign value is > 0.05 , so it can be concluded that leverage has no significant effect on company size.

Direct Effect X to Z

Table 3. Coefficient Determination – Direct Effect

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.335 ^a	.112	.075	.26450

a. Predictors: (Constant), Ukuran perusahaan, Leverage, Profitabilitas,

b. Dependent Variable: Pertumbuhan Laba

Table 4. Regression Result – Direct Effect

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-1.227	1.326		-.925	.358
Profitabilitas	2.617	1.014	.331	2.580	.012
Leverage	.032	.180	.021	.176	.861
Ukuran perusahaan	.002	.066	.003	.025	.980

Based on the analysis test results, the R-Square value is 0.113, or 11.3%. This shows that the influence of profitability, leverage, and company size is 11.3% and the remaining 88.7% is influenced by other variables not examined in this study, such as the rupiah exchange rate, company growth, and so on. To find the value of ϵ_2 , we can use the formula $\epsilon_2 = \sqrt{(1-R^2)}$, so that the resulting ϵ_1 in the path diagram coefficient of model I is $\epsilon_2 = \sqrt{(1-0.112)} = 0.888$.

Based on the table above, the profitability coefficient is 0.331, the leverage coefficient is 0.021, and the firm size coefficient is 0.003. Therefore, the equation model for model II is:

$$Z = P_{zx1}X_1 + P_{zx3}X_3 + P_{zyy} + \epsilon_2$$

$$Z = 0.331 X_1 + 0.021 X_3 + 0.003 Y + 0.888$$

Furthermore, the coefficient table shows that the profitability sig value is $0.012 < 0.05$, indicating that profitability has a significant effect on profit growth. The leverage sig value is 0.861, meaning the sig value is > 0.05 , so it can be concluded that leverage has no significant effect on profit growth, for the sig value of company size is 0.980, which means the sig value < 0.05 , so it can be concluded that company size has no significant effect on profit growth.

Figure 1. Path Analysis

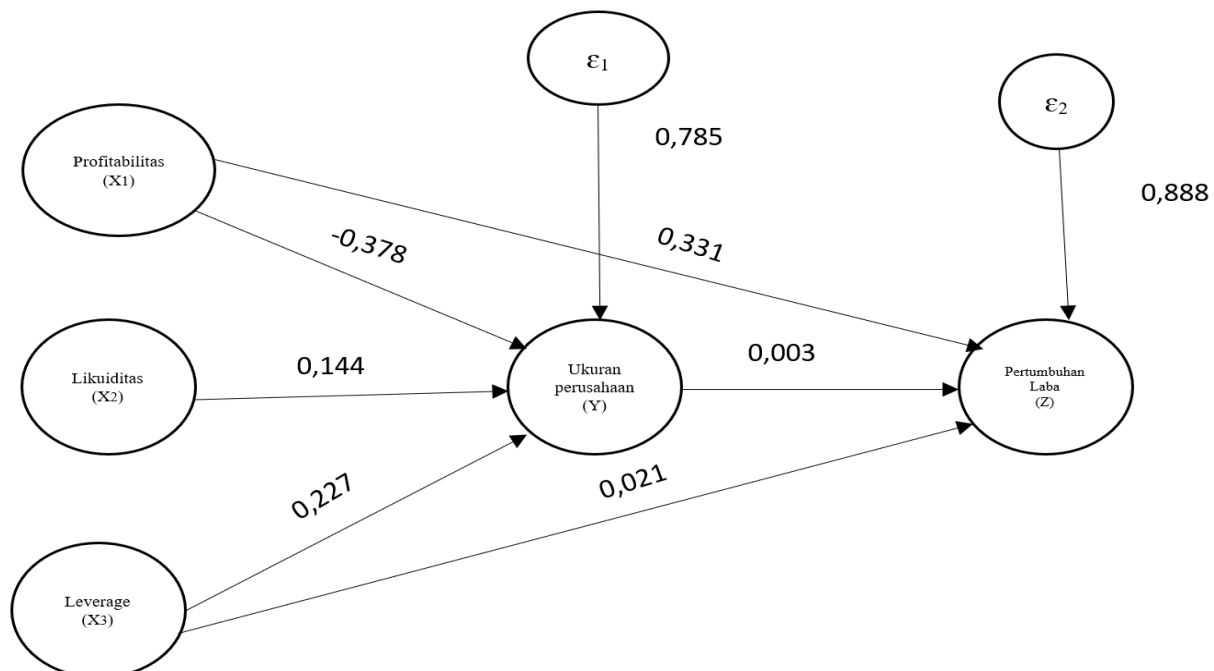


Table 5. Significance Level – Variables

Variable			t-value	Significant value	decision
Y	<---	X1	-2,882	,005	Signifikan
Y	<---	X2	1,032	,305	Tidak Signifikan
Y	<---	X3	1,971	,053	Tidak Signifikan
Z	<---	X1	2,580	,012	Signifikan
Z	<---	X3	,176	,861	Tidak Signifikan
Z	<---	Y	,025	,980	Tidak Signifikan

Determine the t-table with a confidence level of 95% and an error rate (α) of 5% = 0.05 and a degree of freedom (df) = n-k. Then: (df) = 0.05 (75-4) is 0.05 = 71. So the t-table value = 1.993. Then compare the calculated t value with the t-table. If the calculated t value is negative, take its absolute value, since the negative sign in front of the number does not indicate that the value is below 0. Still, this shows the direction of the variable's influence.

- 1) The effect of profitability on company size: The calculated t-value is -2.882, which is greater than the t-table value of -1.993, with a significance level of $0.005 < 0.05$ (significant). This means that profitability has a significant negative effect on the size of healthcare companies listed on the Indonesian Stock Exchange.
- 2) The Effect of Liquidity on Company Size: The calculated t-value is $1.032 < t\text{-table } 1.993$, with a significance level of $0.305 > 0.05$ (not significant). This means that liquidity has no significant effect on the size of healthcare companies listed on the Indonesia Stock Exchange.
- 3) The Effect of Leverage on Company Size: The calculated t-value is $1.971 < t\text{-table } 1.993$, with a significance level of $0.053 > 0.05$ (not significant). This means that leverage has no significant effect on the size of healthcare companies listed on the Indonesia Stock Exchange.
- 4) The Effect of Profitability on Profit Growth: The calculated t-value is 2.580, which is greater than the t-table value of 1.993, with a significance level of $0.012 < 0.05$ (significant). This means that profitability has a significant positive effect on profit growth in healthcare sector companies listed on the Indonesia Stock Exchange.
- 5) The Effect of Leverage on Profit Growth: The calculated t-value is $0.176 < t\text{-table } 1.993$, with a significance level of $0.861 > 0.05$ (not significant). This means that profitability has no significant effect on profit growth in healthcare companies listed on the Indonesia Stock Exchange.
- 6) The Effect of Company Size on Profit Growth: The calculated t-value is $0.025 < t\text{-table } 1.993$, with a significance level of $0.980 > 0.05$ (not significant). This means that company size has no significant effect on profit growth in healthcare companies listed on the Indonesia Stock Exchange.

Table 6. Total Effect

Variabel			Intervening Variable	Direct Effect	Indirect Effect	Total Effect
Y	<---	X1	-	-.378	-	-,378
Y	<---	X2	-	.144	-	.144
Y	<---	X3	-	.227	-	.227
Z	<---	X1	Y	.331	-0,001	0,330
Z	<---	X3	Y	.021	0.001	0.022
Z	<---	Y	-	.003	-	0.003

Based on the results above, the direct effect of profitability on profit growth is 0.331, the indirect effect on company size is -0.0001, and the total effect on profit growth with company size is 0.330. Company size does not.

The Effect of Profitability on Company Size. The test results show that the calculated t-value is $-2.882 < t\text{-table } -1.993$, with a significance level of $0.005 < 0.05$ (significant). This means that profitability has a significant negative effect on company size in healthcare companies listed on the Indonesia Stock Exchange. These research results align with [Setiyadi \(2011\)](#) theory, which states that profitability is one of the factors influencing company size. The differences between the research findings regarding the effect of profitability on company size and the studies above stem from variations in methodology, variable definitions, research context, and sample characteristics. Therefore, it is important to consider these factors when evaluating and comparing existing research. This demonstrates the complexity of the relationship between profitability and company size, which is influenced by many factors. Corporate profitability in Indonesia from 2019 to 2023 is influenced by both external and internal factors. The Covid-19 pandemic is a major factor impacting many sectors, while macroeconomic challenges, regulatory policies, market competition, and internal company issues also play a role. Poor profitability can impact company size by reducing the ability to invest, operate efficiently, and maintain market value. Research shows that profitability has a significant negative effect on company size in the healthcare sector listed on the Indonesia Stock Exchange. To address this, companies should evaluate their business models, improve operational efficiency, and diversify their product and service offerings. Furthermore, focusing on sound financial management, investing in innovation, improving service quality, and conducting in-depth market analysis is also crucial. With these steps, companies can sustainably increase their profitability and size.

The Effect of Liquidity on Company Size. The calculated t-value is $1.032 < t\text{-table } 1.993$, with a significance level of $0.305 > 0.05$ (not significant). This means that liquidity has no significant effect on company size in healthcare companies listed on the Indonesia Stock Exchange. [David \(2020\)](#) suggests a relationship between liquidity and company size. [David \(2020\)](#) points out the relationship between liquidity and company size. Large companies use an integrated cash flow management approach to improve liquidity. Although studies on the effect of liquidity on company size were conducted at different times—namely before and during the COVID-19 pandemic—the consistent results indicating no significant effect may be due to the stability of the healthcare sector, similar measurement methods, and consistent control variables. Changes in economic conditions due to the pandemic did not always significantly alter the relationship between liquidity and company size, suggesting that some dynamics within this sector remain stable despite the different contexts. Liquidity in Indonesia faces significant challenges,

particularly due to the COVID-19 pandemic, monetary policy, and global economic conditions. Companies must navigate changes and adapt rapidly to maintain their liquidity health. Good liquidity provides large companies with an advantage in maintaining or expanding their size, thanks to operational flexibility. Conversely, small companies may face greater challenges in terms of size and growth due to liquidity constraints and limited access to resources. Research shows that liquidity has no significant effect on the size of healthcare companies listed on the Indonesia Stock Exchange. Nevertheless, companies should remain focused on improving cash flow management, diversifying revenue sources, and investing in technology to improve their financial position. Furthermore, improving service quality and training employees in financial management are also crucial for maintaining financial stability. With these measures, companies can improve financial efficiency, even though the relationship between liquidity and company size is insignificant.

The Effect of Leverage on Company Size. The test results show that the calculated t-value is $1.971 < t\text{-table } 1.993$, with a significance level of $0.053 > 0.05$ (not significant). This means that leverage has a positive, insignificant effect on company size among healthcare companies listed on the Indonesian Stock Exchange. According to [Nguyen \(2020\)](#), this study examines how companies adjust their capital structures in relation to company size and changing global market conditions. This study indicates that large companies have more flexibility in managing leverage because they can better adapt their capital structure to changing market conditions. Corporate leverage in Indonesia fluctuates due to various external and internal factors. Companies that successfully adapt their capital structure to changing market conditions can continue to grow, while companies facing financial stress may need to restructure or downsize.

The Effect of Profitability on Profit Growth. Based on the test results, the calculated t-value of 2.580 is greater than the t-table value of 1.993, with a significance level of $0.012 < 0.05$ (significant). This means that profitability has a significant positive effect on profit growth in healthcare companies listed on the Indonesia Stock Exchange. The research results align with [Murhadi \(2013\)](#) theory, which posits that profitability is one of the factors influencing profit growth. According to [Gupta \(2020\)](#), effective working capital management influences profitability, which in turn impacts profit growth. Companies that manage their working capital efficiently can increase profitability and support long-term profit growth. Profitability in Indonesian companies fluctuates, influenced by various factors. Companies that can adapt to changing market conditions and manage costs effectively tend to experience more stable or increasing profit growth. Research shows that leverage has a positive but insignificant effect on the size of companies in the healthcare sector listed on the Indonesia Stock Exchange. Nevertheless, companies need to focus on efficient capital structure management, financial performance evaluation, and diversification of funding sources. Furthermore, investing in innovation and improving management capacity is crucial for more effective leverage utilization. By monitoring market conditions and adjusting strategies accordingly, companies can optimize their use of leverage to support sustainable growth.

The Effect of Leverage on Profit Growth. The calculated t-value is $0.176 < t\text{-table } 1.993$, with a significance level of $0.861 > 0.05$ (not significant). This means that profitability has a negative, insignificant effect on profit growth in healthcare companies listed on the Indonesia Stock Exchange. According to [Wang \(2021\)](#), leverage can boost profit growth by increasing a company's investment capacity. Companies in Indonesia experience fluctuations in their use of leverage due to various external and internal factors. The impact of leverage on profit growth depends heavily on how a company manages its debt and capital structure, as well as on

prevailing economic and market conditions. Companies that can effectively manage leverage fluctuations and optimize their investment and cost models have a greater potential to achieve positive profit growth. Research shows that profitability has a negative, but insignificant, effect on profit growth in the healthcare sector listed on the Indonesia Stock Exchange. Although this effect is not significant, companies need to take strategic steps to increase profitability. Suggestions include focusing on cost reduction and operational efficiency improvements, as well as diversifying revenue sources to mitigate risk. Furthermore, evaluating and optimizing leverage use is crucial to maintaining healthy financial performance. Investments in innovation and human resource development will also support profit growth. By regularly monitoring performance, companies can adjust their strategies and respond more quickly to market changes, thereby achieving stronger future profit growth.

The Effect of Company Size on Profit Growth. The calculated t-value is $0.025 < t\text{-table } 1.993$, with a significance level of $0.980 > 0.05$ (not significant). This means that company size has no significant effect on profit growth in healthcare companies listed on the Indonesia Stock Exchange. According to [Roos \(2018\)](#), large companies with access to higher intellectual capital often have an advantage in innovation, which will drive profit growth. The research showed that company size did not significantly affect profit growth among healthcare companies listed on the Indonesia Stock Exchange. Although large companies have access to capital and innovation, this does not necessarily translate into increased profits. Therefore, companies need to diversify funding sources, increase innovation, and improve financial management to support profit growth. Further research is also needed to explore other factors that may contribute to financial performance in this sector.

The Effect of Profitability on Profit Growth through Company Size. The test results show that the direct effect of profitability on profit growth is 0.331, while the indirect effect of profitability on company size is -0.0001. Therefore, the total effect of profitability on profit growth by company size is 0.330. Company size does not significantly strengthen the effect of profitability on profit growth. According to [Gupta \(2020\)](#), effective working capital management affects profitability, which in turn impacts profit growth. Companies that can manage their working capital efficiently can increase profitability and support long-term profit growth.

The Effect of Leverage on Profit Growth Through Company Size. Based on the test results, the direct effect of leverage on profit growth was 0.021, and the indirect effect with company size was 0.0001. Therefore, the total effect of leverage on profit growth, controlling for company size, was 0.022. Company size did not significantly strengthen the effect of leverage on profit growth. According to [Wang \(2021\)](#), leverage can boost profit growth by increasing a company's investment capacity. Large companies may be better able to use leverage to drive profit growth, while small companies face greater risks when using high leverage. Therefore, leverage management strategies need to be tailored to company size to maximize profit growth and minimize risk.

5. Conclusion

It can be concluded that (1) Profitability has a significant effect on company size; (2) Liquidity has no significant effect on company size; (3) Leverage has no significant effect on company size; (4) Profitability has a significant effect on profit growth in healthcare sector companies listed on the Indonesia Stock Exchange; (5) Leverage has no significant effect on profit growth in healthcare sector companies listed on the Indonesia Stock Exchange; (6) Company size has no significant effect on profit growth in healthcare sector companies listed

on the Indonesia Stock Exchange. It is recommended that companies consider company size as a variable for profit growth. This variable has a positive relationship with profit growth, especially in healthcare sector companies listed on the Indonesia Stock Exchange.

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