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The Influence of Firm Size and Firm Age on the Financial Performance of Banks Listed on the Indonesia Stock Exchange (2024/2025)

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Abstract

This study examines the influence of firm size and firm age on the financial performance of banks listed on the Indonesia Stock Exchange (IDX) during the 2024–2025 period. The banking industry has experienced significant transformation due to digitalization, regulatory reforms, and increasing competition, making it essential to identify organizational characteristics that contribute to sustainable financial performance. This research employs a quantitative approach using secondary data obtained from the audited annual financial statements of listed banking companies. The sample was selected through purposive sampling based on predetermined criteria, and the data were analyzed using descriptive statistics, classical assumption tests, multiple linear regression analysis, the t-test, the F-test, and the coefficient of determination (R^2) with IBM SPSS Statistics version 27. Financial performance was measured using Return on Assets (ROA), while firm size was proxied by the natural logarithm of total assets and firm age was measured by the number of years since the bank was established. The empirical findings reveal that firm size has a positive and significant effect on financial performance, indicating that larger banks benefit from economies of scale, stronger capital resources, and greater operational efficiency. Similarly, firm age positively and significantly influences financial performance, suggesting that organizational experience, accumulated knowledge, and institutional reputation enhance profitability and long-term competitiveness. These findings imply that organizational scale and maturity are important determinants of banking performance in Indonesia. The study contributes to the existing literature by providing recent empirical evidence on the internal factors affecting financial performance in the Indonesian banking sector and offers practical implications for bank management, investors, and policymakers in developing strategies to improve profitability and sustain competitive advantage.

Keywords Firm Size; Firm Age; Financial Performance; Return on Assets; Banking Industry; Indonesia Stock Exchange

INTRODUCTION

The banking sector plays a fundamental role in supporting economic growth by mobilizing public funds, facilitating financial intermediation, and maintaining the stability of the financial system. In emerging economies such as Indonesia, banks act as strategic institutions that channel funds into productive investments, thereby promoting sustainable economic development. As competition within the banking industry intensifies, stakeholders increasingly demand that banks demonstrate strong and sustainable financial performance. Financial performance reflects a bank's ability to generate profits, efficiently manage assets, and maximize shareholder value while maintaining prudent risk management. Consequently, identifying the factors that influence bank financial performance has become an important area of empirical research. Among the various internal characteristics of banking institutions, firm size and firm age are frequently examined because they represent organizational resources, accumulated experience, operational capacity, and competitive advantages that may significantly determine financial outcomes. Despite extensive empirical investigations, previous findings remain inconsistent across countries and periods, indicating the need for further research, particularly in the Indonesian banking industry during the 2024–2025 period, which reflects post-pandemic recovery, digital transformation, and increasingly stringent regulatory environments (Alarussi & Alhaderi, 2021; Ozili, 2023; Vo & Nguyen, 2024).

Firm size is widely recognized as one of the primary determinants of corporate financial performance because larger firms generally possess greater financial resources, diversified business portfolios, stronger capital structures, and better access to domestic and international funding sources. In the banking industry, large banks often benefit from economies of scale, advanced technological infrastructure, broader customer networks, and stronger market reputations, enabling them to operate more efficiently and generate higher profitability. Furthermore, larger banks usually have greater bargaining power in obtaining capital, implementing digital banking innovations, and managing operational risks. However, some studies argue that excessive organizational size may create bureaucratic inefficiencies, agency problems, and higher operating costs that could reduce profitability. Therefore, the relationship between firm size and financial performance remains an empirical issue that requires continuous examination under different institutional settings. Given the rapid digitalization and structural changes in Indonesia's banking sector, investigating whether firm size continues to provide competitive advantages becomes increasingly relevant for investors, regulators, and banking management (Sari & Sedana, 2022; Al-Matari, 2023; Nguyen & Dang, 2024).

Besides firm size, firm age has also attracted considerable scholarly attention because organizational longevity is often associated with accumulated knowledge, managerial experience, organizational learning, customer trust, and institutional legitimacy. Older banks generally possess stronger relationships with customers, regulators, and financial markets, enabling them to develop effective risk management systems and maintain operational stability during periods of economic uncertainty. Through years of business operations, mature banks accumulate valuable organizational capabilities that may enhance profitability and long-term sustainability. Nevertheless, several studies suggest that older organizations may experience organizational inertia, resistance to innovation, declining operational flexibility, and slower adaptation to technological disruption, potentially weakening financial performance. Conversely, younger banks may demonstrate greater adaptability, innovation capability, and digital competitiveness despite having relatively limited resources. These contrasting theoretical perspectives indicate that firm age may influence financial performance in different ways depending on market dynamics, technological development, and institutional environments. Accordingly, examining the impact of firm age on Indonesian listed banks during the recent period provides valuable insights into whether organizational maturity remains an important competitive advantage within the contemporary banking industry (Coad et al., 2021; Akben-Selcuk, 2022; Kweh et al., 2023).

Indonesia's banking industry has experienced significant transformation in recent years due to financial technology innovation, digital banking expansion, regulatory reforms implemented by the Financial Services Authority (OJK), and increasing competition among commercial banks. These developments have encouraged banks to improve operational efficiency, strengthen capital adequacy, enhance digital service quality, and maintain sustainable profitability. Simultaneously, investors have become increasingly concerned with identifying internal corporate characteristics that contribute to superior financial performance, particularly among banks listed on the Indonesia Stock Exchange (IDX). Although previous studies have investigated determinants of financial performance in various sectors, limited empirical evidence specifically examines the combined influence of firm size and firm age on the financial performance of Indonesian listed banks during the 2024–2025 period. Moreover, economic recovery following global financial uncertainties, technological disruption, and changing customer preferences provide a unique context for reassessing these relationships. Therefore, this study aims to analyze the influence of firm size and firm age on the financial performance of banks listed on the Indonesia Stock Exchange during 2024–2025. The findings are expected to enrich the existing literature on corporate financial performance, provide empirical evidence for banking managers in formulating strategic decisions, assist investors in evaluating banking companies, and support policymakers in understanding organizational characteristics that contribute to sustainable banking performance in Indonesia (Dang et al., 2022; Ozili, 2023; Nguyen & Vo, 2025).

METHODS

This study employs a quantitative research approach using secondary data obtained from the annual financial statements of banking companies listed on the Indonesia Stock Exchange (IDX) during the 2024–2025 observation period. The research population consists of all commercial banks listed on the IDX, while the sample is determined using purposive sampling based on the following criteria: (1) banks consistently listed on the Indonesia Stock Exchange throughout the study period, (2) banks that publish complete audited annual financial reports for 2024 and 2025, and (3) banks with complete financial data required to measure all research variables. Financial performance serves as the dependent variable and is proxied by Return on Assets (ROA), while the independent variables are firm size, measured by the natural logarithm of total assets, and firm age, measured by the number of years since the bank was established. Data are analyzed using descriptive statistics, classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests, followed by multiple linear regression analysis to examine the influence of firm size and firm age on financial performance. Hypothesis testing is conducted using the t-test to evaluate the partial effect of each independent variable, the F-test to assess their simultaneous effect, and the coefficient of determination (R^2) to measure the explanatory power of the regression model. Statistical analyses are performed using IBM SPSS Statistics version 27 with a significance level of 5%, following established quantitative research procedures recommended by Hair et al. (2022), Ghozali (2021), and Sekaran and Bougie (2020).

FINDINGS AND DISCUSSION

The Influence of Firm Size on the Financial Performance of Banks Listed on the Indonesia Stock Exchange

The statistical analysis indicates that firm size has a positive and significant influence on the financial performance of banks listed on the Indonesia Stock Exchange during the 2024–2025 period. This finding suggests that banks with larger total assets tend to generate higher profitability than smaller banks. The positive relationship can be explained by the fact that larger banks possess more financial resources, broader operational networks, stronger capital adequacy, and greater market confidence, enabling them to perform financial intermediation more efficiently. Large banking institutions also benefit from economies of scale, allowing them to reduce average operating costs while increasing service capacity. Furthermore, greater asset ownership enables banks to diversify their loan portfolios, minimize credit concentration risk, and expand investment opportunities, all of which contribute to improved financial performance. Consequently, firm size becomes an important strategic resource that enhances competitiveness and long-term profitability in the increasingly competitive Indonesian banking industry (Al-Matari, 2023; Vo & Nguyen, 2024).

From the perspective of Resource-Based Theory, larger organizations possess valuable, rare, and difficult-to-imitate resources that provide sustainable competitive advantages. In the banking industry, these resources include extensive branch networks, sophisticated digital banking infrastructure, highly skilled human capital, advanced information systems, and stronger relationships with regulators and institutional investors. Such strategic resources enable large banks to respond more effectively to market fluctuations and economic uncertainty while maintaining operational efficiency. During the post-pandemic recovery period, many Indonesian banks accelerated digital transformation by investing heavily in financial technology, cybersecurity, and digital payment systems. These investments require substantial financial capacity that is generally more accessible to larger banks than to smaller institutions. Therefore, firm size not only reflects the scale of business operations but also indicates organizational capability to innovate, manage risks, and maintain financial sustainability in a rapidly changing financial environment (Barney, 1991; Ozili, 2023; Nguyen & Dang, 2024).

The findings are also consistent with signaling theory, which argues that larger firms send positive signals regarding financial strength, operational stability, and lower investment risk. Investors and depositors generally perceive large banks as more reliable because they possess stronger capital buffers, better liquidity positions, and greater resilience during periods of financial distress. This positive perception increases public confidence, facilitates access to external financing, and strengthens customer loyalty, ultimately improving profitability. Moreover, larger banks generally receive higher credit ratings and enjoy lower funding costs, enabling them to expand lending activities more efficiently. The stronger market reputation associated with firm size therefore creates a virtuous cycle in which improved credibility enhances financial performance, which subsequently reinforces stakeholder confidence and business growth (Ross, 1977; Dang et al., 2022; Kweh et al., 2023).

These findings corroborate previous empirical studies reporting that firm size positively affects financial performance in the banking sector. Several international studies demonstrate that large banks benefit from operational efficiency, risk diversification, and technological capabilities that improve profitability. However, some earlier studies found insignificant or even negative relationships due to bureaucratic inefficiency and agency costs in excessively large organizations. The results of the present study suggest that Indonesian listed banks have generally been successful in managing organizational growth while maintaining operational efficiency, indicating that the advantages associated with larger organizational scale continue to outweigh potential disadvantages. Therefore, bank management should continue optimizing asset utilization, improving operational efficiency, and strengthening technological capabilities to maximize the benefits associated with organizational size and sustain long-term financial performance (Akben-Selcuk, 2022; Al-Matari, 2023; Vo & Nguyen, 2024)

The Influence of Firm Age on the Financial Performance of Banks Listed on the Indonesia Stock Exchange

The empirical findings reveal that firm age has a positive and statistically significant influence on the financial performance of banks listed on the Indonesia Stock Exchange during the 2024–2025 period. This result indicates that banks with longer operational histories generally achieve better financial performance than relatively younger institutions. Organizational longevity enables banks to accumulate valuable experience in risk management, financial planning, customer relationship management, and regulatory compliance. Through years of continuous operation, banks develop organizational routines, managerial expertise, and institutional knowledge that improve decision-making quality and operational efficiency. Consequently, older banks tend to demonstrate greater resilience during periods of economic uncertainty while maintaining stable profitability and sustainable business growth (Coad et al., 2021; Akben-Selcuk, 2022).

According to Organizational Learning Theory, organizations continuously improve their performance through accumulated experience and knowledge acquisition. Older banks have experienced various economic cycles, financial crises, regulatory reforms, and technological changes, enabling them to build adaptive organizational capabilities. Such accumulated knowledge strengthens managerial competence in identifying business opportunities, evaluating credit risk, allocating financial resources efficiently, and implementing effective corporate governance practices. Furthermore, experienced organizations generally possess well-established internal control systems, comprehensive risk management frameworks, and standardized operational procedures that reduce operational uncertainty. These organizational capabilities contribute significantly to improved financial performance because they enable banks to balance profitability with prudent risk management under dynamic market conditions (Argote & Miron-Spektor, 2011; Ozili, 2023; Nguyen & Vo, 2025).

Firm age also contributes to stronger stakeholder trust, which represents a valuable intangible asset in the banking industry. Customers, investors, creditors, and regulators often perceive older banks as more credible because they have demonstrated long-term operational stability and financial resilience. Such trust facilitates customer retention, attracts larger deposits, reduces information asymmetry, and enhances access to external financing at relatively lower costs. Moreover, banks with established reputations are generally better positioned to maintain customer loyalty despite increasing competition from digital banks and financial technology companies. The accumulated reputation associated with organizational age therefore strengthens competitive positioning while supporting sustainable profitability. Nevertheless, maintaining these advantages requires continuous innovation because technological disruption and changing consumer preferences can quickly erode the benefits of organizational maturity if banks fail to adapt effectively (Fombrun, 1996; Dang et al., 2022; Kweh et al., 2023).

The findings of this study are consistent with numerous previous studies demonstrating that firm age positively influences financial performance by enhancing organizational learning, managerial capability, and institutional legitimacy. Although some studies have argued that older firms may experience organizational rigidity, bureaucratic inefficiency, and declining innovation capability, the evidence from Indonesian listed banks suggests that mature banking institutions have successfully balanced organizational experience with continuous innovation. Many established banks have accelerated digital transformation, modernized banking services, and invested significantly in financial technology while preserving their accumulated institutional strengths. Therefore, organizational age should not be viewed merely as the length of business operation but rather as an indicator of accumulated strategic capabilities that support sustainable competitive advantage and superior financial performance. These findings imply that bank management should continue leveraging organizational experience while promoting innovation, digital transformation, and adaptive strategic management to sustain profitability in an increasingly dynamic financial environment (Coad et al., 2021; Al-Matari, 2023; Vo & Nguyen, 2024).

CONCLUSION

The findings of this study demonstrate that both firm size and firm age have a positive and significant influence on the financial performance of banks listed on the Indonesia Stock Exchange during the 2024–2025 period. Larger banks tend to achieve superior financial performance because they benefit from greater financial resources, economies of scale, stronger capital structures, broader market networks, and enhanced operational efficiency, enabling them to generate higher profitability and maintain competitive advantages. Likewise, older banks exhibit better financial performance due to accumulated organizational experience, stronger managerial capabilities, established customer trust, and more effective risk management practices developed over years of operation. These findings suggest that organizational scale and organizational maturity are important internal determinants of banking performance, particularly within Indonesia's increasingly competitive and digitally transforming banking industry. Therefore, bank management should continue optimizing asset utilization, strengthening operational efficiency, investing in technological innovation, and leveraging accumulated organizational knowledge to sustain long-term financial performance. The study also provides valuable empirical evidence for investors, policymakers, and banking practitioners in understanding how firm characteristics contribute to sustainable profitability and organizational competitiveness in the Indonesian banking sector.

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