



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

Yusril Ihza Mahendra¹, Marsi Fella Rizki¹

Universitas Teknokrat Indonesia¹, Indonesia
E-mail correspondence; myusrilihza77@gmail.com

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Abstract

Financial performance is a crucial indicator for assessing a banking company's ability to generate profit and maintain business sustainability. However, prior research regarding the impact of firm size and firm age on financial performance has yielded inconsistent findings. This study aims to analyze the influence of firm size and firm age on financial performance—proxied by Return on Assets (ROA)—among banking companies listed on the Indonesia Stock Exchange (IDX) during the 2024–2025 period. A quantitative approach was employed using secondary data obtained from the annual financial reports of the banking companies. The study population comprised 48 banking companies; a saturated sampling technique was used, meaning the entire population served as the sample, resulting in 96 observations. Data analysis was conducted using panel data regression with the aid of EViews 13 software. The results indicate that firm size has a negative and significant effect on financial performance, whereas firm age has a positive and significant effect. Furthermore, firm size and firm age simultaneously exert a significant influence on financial performance. The study concludes that a company's operational experience plays a role in enhancing financial performance, whereas an increase in firm size is not necessarily accompanied by an increase in profitability.

Keywords

financial performance, panel data regression, return on assets, firm size, firm age.



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INTRODUCTION

Banking is one of the sectors that plays a strategic role in supporting national economic growth through its intermediation function, namely collecting funds from the public and redistributing them in the form of loans and other financial services (Felle & Santioso, 2024). The stability and performance of the banking sector are

important aspects in maintaining public confidence in the financial system and supporting the sustainability of the national economy. The Financial Services Authority (Otoritas Jasa Keuangan/OJK, 2025) reported that as of December 2024, the Indonesian banking industry remained resilient, with a Return on Assets (ROA) of 2.69%. Nevertheless, the ability of individual banks to generate financial performance is not always the same. These differences indicate that there are still various factors influencing the financial performance of banking companies that need to be examined further (Athallah & Syaichu, 2024). Pratama et al. (2024) also demonstrated that various internal factors within companies influence banking profitability, making an analysis of these factors important. As companies listed on the Indonesia Stock Exchange, banks are required to maintain sound financial performance as a form of accountability to investors, regulators, and other stakeholders (Sakti & Rachmawati, 2024). Therefore, a comprehensive understanding of the factors affecting banks' financial performance is an essential need for regulators, investors, corporate management, and the broader community.

Financial performance is one of the indicators used to assess a company's ability to manage its resources to generate profits over a certain period (Hery, 2021). In the banking sector, financial performance is an important benchmark for evaluating the effectiveness of asset management, operational efficiency, and the bank's ability to generate sustainable profits (Kasmir, 2021). Therefore, measuring financial performance is important for management, investors, and regulators in assessing the condition and prospects of a company. One of the most widely used profitability indicators for measuring banking financial performance is Return on Assets (ROA), as it demonstrates the company's ability to generate profits based on its total assets. The higher the ROA, the more effectively the company utilizes its assets to generate profits (Hartanto & Susilowati, 2024). In addition, the stability and financial performance of the banking sector are important factors in maintaining national economic growth and increasing public confidence in the financial system (Fitrianingsih & Sulistiana, 2024). Therefore, this study uses Return on Assets (ROA) as a proxy for measuring the financial performance of companies.

One factor that is presumed to influence a company's financial performance is firm size. Firm size reflects the scale of a company and is generally measured by the total assets it owns. According to Gitman and Zutter (2021), larger companies generally have greater resources, better access to financing, and greater financial flexibility than smaller companies. These conditions provide greater opportunities for

companies to improve operational efficiency and financial performance. Such conditions also facilitate companies' access to financing, both from internal and external sources, to support operational activities and business development (Fajriah et al., 2022). In addition, the growth of firm size is closely related to the financial decisions made by companies to optimize firm value (Hidayat & Khotimah, 2022). With greater resources and operational capacity, companies have greater opportunities to manage their assets effectively, thereby improving financial performance. This statement is consistent with the findings of Christianto et al. (2024), which showed that firm size has a positive effect on the financial performance of banks in Indonesia.

In addition to firm size, firm age is also expected to be one of the factors influencing a company's financial performance. Firm age reflects the length of time a company has operated since its establishment up to the research period, indicating its level of experience, operational stability, and ability to respond to changes in the business environment (Sekaran & Bougie, 2019). The longer a company has operated, the greater its ability to survive various business challenges and make strategic decisions to support corporate growth (Septiani & Murwaningsari, 2024). Companies that have been established for a longer period also generally possess greater operational experience and a stronger reputation, enabling them to conduct their business activities more effectively and potentially achieve higher levels of profitability (Jessica & Triyani, 2022). In the context of the banking industry, operational experience and organizational maturity are expected to improve the effectiveness of resource and asset management, thereby potentially enhancing financial performance (Creswell & Creswell, 2018). Based on this explanation, firm age is expected to influence the financial performance of banking companies.

Research examining the effects of firm size and firm age on financial performance has been widely conducted by previous researchers. Christianto et al. (2024) found that firm size has a positive effect on financial performance, while firm age does not have a significant effect on Return on Assets (ROA). Similar results were reported by Nur Khasanah and Sijabat (2022), who stated that firm size has a positive effect on profitability, whereas firm age does not have a significant effect. However, these studies were conducted using different sample characteristics, research objects, and observation periods, meaning that their findings cannot yet be generalized to all banking companies listed on the Indonesia Stock Exchange. Furthermore, the continuously evolving dynamics of the banking industry require updated empirical

evidence, particularly for the 2024–2025 period. Therefore, this study is conducted to re-examine the effects of firm size and firm age on financial performance among banking companies listed on the Indonesia Stock Exchange during the 2024–2025 period.

Based on the background, theoretical foundation, and previous research described above, this study is conducted to analyze the effects of firm size and firm age on financial performance among banking companies listed on the Indonesia Stock Exchange during the 2024–2025 period. This study is expected to provide updated empirical evidence regarding the effects of firm size and firm age on the financial performance of banking companies during the post-economic-recovery period of 2024–2025. In addition to contributing to the development of the literature in the field of financial management, the findings of this study are also expected to serve as a consideration for investors, corporate management, regulators, and other relevant parties in evaluating the factors influencing banking companies' financial performance and supporting more appropriate decision-making..

METHODS

This study employs a quantitative approach with an associative research design aimed at analyzing the effects of firm size and firm age on financial performance among banking companies listed on the Indonesia Stock Exchange (IDX) during the 2024–2025 period. The quantitative approach was selected because it enables the objective examination of relationships between variables through statistical testing based on numerical data, while the associative research design is used to examine the relationships and effects of independent variables on the dependent variable. The population of this study consists of all banking companies listed on the Indonesia Stock Exchange (IDX) during the 2024–2025 period, totaling 48 companies. The sampling technique used is purposive sampling, which is a method of selecting samples based on specific considerations or criteria in accordance with the objectives of the study. The criteria include banking companies that were consecutively listed on the Indonesia Stock Exchange (IDX) during the 2024–2025 period and did not experience delisting, published complete annual financial statements and annual reports throughout the research period, had the data required to measure all research variables, and presented their financial statements in Indonesian rupiah. Based on the selection process using these criteria, all 48 banking companies met the requirements and were therefore determined as the research sample. The application of these criteria

was intended to obtain a sample that was consistent with the research objectives so that the analytical results could more accurately describe the relationship between firm size, firm age, and financial performance.

The data used in this study consist of annual financial statements of banking companies listed on the Indonesia Stock Exchange (IDX) during the 2024–2025 period. The financial statements were obtained from the official website of the Indonesia Stock Exchange (IDX) and the official websites of the respective companies. The use of secondary data enables researchers to utilize available data to address the research objectives efficiently while saving research time and costs (O'Connor & Kelly, 2024). The collected data were subsequently identified, classified, and processed according to the requirements of the study to obtain values for the variables of firm size, firm age, and financial performance, which were then analyzed using panel data regression with the assistance of EViews 13 software.

The operational definition of variables refers to an explanation of the concepts, indicators, and measurement methods of each variable used in the study so that the variables can be measured objectively. This study employs two independent variables, namely firm size (X_1) and firm age (X_2), and one dependent variable, namely financial performance (Y).

FINDINGS AND DISCUSSION

Data Quality Test

Multicollinearity Test

The multicollinearity test was conducted using the Pearson Correlation Test. The results of the test are presented in the following correlation matrix.

Table 2. Results of the Multicollinearity Test

Variable	X1	X2
Firm Size (X_1)	1.000000	0.425718
Firm Age (X_2)	0.425718	1.000000
<i>Source: Processed data (2026)</i>		
Based on Table 2, the results of the correlation matrix test indicate that there is no serious indication of multicollinearity among the independent variables in the research model. The correlation coefficient between Firm Size (X_1) and Firm Age (X_2) is 0.425718, which is lower than the commonly accepted threshold of 0.80 (or 0.85). This correlation value indicates that		

the relationship between the two independent variables is not sufficiently high to cause multicollinearity problems and therefore does not have the potential to distort the estimated regression coefficients. Thus, it can be concluded that the research model is free from multicollinearity and is suitable for further panel data regression analysis.		
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Hypothesis Testing

Statistical analysis for hypothesis testing was conducted using the Fixed Effect Model (FEM) estimation. The selection of this model was based on the results of the Chow Test and Hausman Test conducted previously, in which the Fixed Effect Model (FEM) was found to be the most appropriate panel data regression model for analyzing the effects of Firm Size and Firm Age on the financial performance of banking companies listed on the Indonesia Stock Exchange (IDX) during the 2024–2025 period. By using this model, the estimation results are expected to describe the relationships among the variables more accurately in accordance with the characteristics of the panel data used in the study.

Hypothesis Testing of the Unmoderated Regression Model

Hypothesis testing in the unmoderated regression model was conducted using the t-test to determine the partial effect of each independent variable on profitability. In addition, the coefficient of determination (R-squared and Adjusted R-squared) was used to measure the ability of the model to explain variations in the dependent variable, while the F-test was used to examine the overall significance and adequacy of the regression model. The following table presents a summary of the coefficient of determination, F-test, and t-test results for the unmoderated regression model.

Table 3. Hypothesis Testing Results of the Unmoderated Regression Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.66122	1.470225	7.931588	0.0000
Firm Size	-0.487768	0.025659	-19.00986	0.0000
Firm Age	0.073622	0.028027	2.626827	0.0117
R-squared				0.944039
Adjusted R-squared				0.884427
F-statistic				15.83662
Prob(F-statistic)				0.000000
<i>Source: Processed data (2026)</i>				

Based on Table 3, the regression model demonstrates a strong explanatory capacity, as indicated by the R-squared value of 0.944039 and the Adjusted R-squared value of 0.884427. The R-squared value indicates that 94.40% of the variation in profitability, as measured by Return on Assets (ROA), can be explained by the independent variables included in the model, namely Firm Size and Firm Age. Meanwhile, the Adjusted R-squared value of 0.884427 indicates that, after adjusting for the number of independent variables and the characteristics of the regression model, Firm Size and Firm Age jointly explain 88.44% of the variation in profitability. The remaining 11.56% is attributable to other factors that are not included in the research model. These results indicate that the model has a relatively high explanatory power in describing variations in the financial performance of banking companies.

The simultaneous significance test further supports the adequacy of the regression model. The results show an F-statistic value of 15.83662 with a Prob(F-statistic) value of 0.000000, which is lower than the 0.05 significance level. This finding indicates that the regression model is statistically significant and that Firm Size and Firm Age simultaneously have a significant effect on profitability as measured by Return on Assets (ROA). Therefore, the independent variables jointly contribute significantly to explaining changes in the financial performance of banking companies. These results also confirm that the regression model is appropriate for use in testing the proposed research hypotheses.

The results of the partial significance test indicate that Firm Size has a regression coefficient of -0.487768, a t-statistic of -19.00986, and a probability value of 0.0000, which is below the 0.05 significance level. The negative coefficient indicates an inverse relationship between Firm Size and profitability, meaning that an increase in firm size tends to be associated with a decrease in Return on Assets (ROA). Since the probability value is statistically significant, it can be concluded that Firm Size has a negative and significant effect on profitability. Therefore, Hypothesis 1 (H1), which states that Firm Size affects financial performance, is accepted.

Meanwhile, Firm Age has a regression coefficient of 0.073622, a t-statistic of 2.626827, and a probability value of 0.0117, which is also lower than the 0.05 significance level. The positive regression coefficient indicates that Firm Age has a positive relationship with profitability, suggesting that banking companies with a longer operating history tend to achieve higher Return on Assets (ROA). The statistically significant probability value confirms that Firm Age has a significant positive effect on profitability. Therefore, Hypothesis 2 (H2), which states that Firm Age affects financial performance, is accepted.

Discussion

The Effect of Firm Size on Financial Performance

Based on the partial test (t-test), the Firm Size variable has a coefficient of -0.487768, a t-statistic of -19.00986, and a probability value of 0.0000, which is lower than the 0.05 significance level. Therefore, the first hypothesis (H₁) is accepted, indicating that Firm Size has a significant effect on financial performance as proxied

by Return on Assets (ROA). The negative regression coefficient indicates that as firm size increases, the ROA tends to decrease. This finding suggests that a large amount of total assets does not necessarily improve a company's ability to generate profits if those assets have not been utilized optimally.

The results of this study indicate that banking companies with large asset bases have more complex operational activities, requiring higher operational costs, administrative expenses, and asset management costs (Sugiarto & Sriyatun, 2024). If asset growth is not accompanied by effective and efficient management, the company's ability to generate profits may decline, resulting in a lower Return on Assets (ROA) (Sadie & Nyale, 2024). This condition demonstrates that a company's success is not determined solely by the size of its assets but also by management's ability to manage those assets productively in order to generate optimal profits (Setiawan & Prakoso, 2024).

These findings are consistent with Resource-Based Theory (RBT), which explains that resources owned by a company, including assets, can only provide added value and improve company performance when they are managed effectively and efficiently. Consistent with this theory, Brigham and Houston (2019) state that a company's large asset base is not necessarily accompanied by increased profitability if the company has not been able to optimize the use of its resources effectively and efficiently. In addition, these findings are consistent with the research conducted by Fajriah et al. (2022), which found that Firm Size has an effect on financial performance. Thus, Firm Size is not the only factor determining financial performance; it must also be supported by effective asset management to generate optimal profits.

The Effect of Firm Age on Financial Performance

Based on the partial test (t-test), the Firm Age variable has a coefficient of 0.073622, a t-statistic of 2.626827, and a probability value of 0.0117, which is lower than the 0.05 significance level. Therefore, the second hypothesis (H_2) is accepted, indicating that Firm Age has a significant effect on financial performance as proxied by Return on Assets (ROA). The positive regression coefficient indicates that the longer a company has been operating, the greater its ability to generate profits. This finding demonstrates that a company's experience in conducting business activities contributes to improved financial performance.

The findings indicate that companies that have operated for a longer period possess greater experience in managing operational activities, dealing with business risks, and developing strategies that are appropriate to developments in the banking industry (Amanda et al., 2024). Such experience enables companies to utilize their

resources and assets more efficiently, thereby increasing profitability (Chang & Sufiyati, 2024). In addition, companies that have been established for a longer period generally have better internal control systems, corporate governance practices, and investor confidence than relatively new companies (Fanny & Widodoatmodjo, 2024). These findings are supported by Organizational Learning Theory, which explains that the longer a company operates, the greater the experience, knowledge, and managerial capabilities it accumulates, thereby improving the effectiveness of decision-making and operational efficiency. The results of this study are also consistent with the findings of Septiani and Murwaningsari (2024) and Jessica and Triyani (2022), which indicate that Firm Age has an effect on financial performance. Thus, Firm Age is one of the factors that can improve a company's ability to manage its assets optimally, enabling it to achieve better profitability.

CONCLUSION

This study concludes that firm size and firm age have differing effects on the profitability of banking companies listed on the Indonesia Stock Exchange during the 2021–2024 period. Firm size was found to have a significant negative impact on profitability, indicating that an increase in total assets is not necessarily accompanied by an increase in the company's ability to generate profit. These results suggest that holding a large volume of assets must be balanced with effective and efficient asset management to contribute to increased profitability. Conversely, firm age has a significant positive impact on profitability. This indicates that companies with a longer operational history tend to achieve higher profitability levels, supported by experience, managerial capabilities, operational efficiency, and the ability to adapt to changes in the business environment. Overall, the findings demonstrate that corporate profitability is influenced not only by the size of assets held but also by the company's ability to manage resources optimally and the experience gained through operations. Therefore, banking companies are encouraged to enhance asset management effectiveness, strengthen operational efficiency, and leverage organizational experience to support sustainable profitability growth. This study provides empirical insights into the impact of firm size and firm age on the profitability of banking companies in Indonesia..

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