



Operational Factors, Company Characteristics, and Profitability in Food and Beverage Companies in Indonesia

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Abstract. Financial growth is the goal of all companies. Because this aspect is an overview of the management of resources owned by the company. However, the results of previous studies on the influence of production costs, promotional costs, sales volume, leverage, and company size on profitability still show inconsistent findings. This study aims to analyze the influence of production costs, promotional costs, sales volume, leverage, and company size on the profitability of companies in the processed food and beverage subsector listed on the Indonesia Stock Exchange for the period 2018–2025. The research uses a quantitative approach with secondary data obtained from the annual financial statements. The research sample consisted of 13 companies selected using purposive sampling techniques with a total of 104 observations. Data analysis was carried out using panel data regression through the Stata 17 application, with the Fixed Effect Model as the best model based on the Chow test and the Hausman test. The results of the study show that production costs do not have a significant effect on profitability. On the other hand, promotional costs, leverage, and company size have a negative and significant effect on profitability, while sales volume has a positive and significant effect on profitability. The findings of the study strengthen the Resource-Based View that the effectiveness of resource management determines the increase in profitability more than the amount of resources owned, and supports the Trade-Off Theory which explains that the use of debt that exceeds the optimal level can reduce the company's profitability

Keywords: Company Size; Production Costs; Promotion Fees; Sales Volume; Trade-Off Theory.

1. INTRODUCTION

The processing industry is one of the strategic sectors that plays an important role in encouraging Indonesia's economic growth. Based on data from the Central Statistics Agency (BPS), the processing industry sector has consistently become the largest contributor to the national Gross Domestic Product (GDP) with a contribution of around 19.07 percent by 2025 (Aziz, 2026). Among the various subsectors of the processing industry, the processed food and beverage industry is the largest contributor to the added value of the non-oil and gas processing industry with a contribution of 36.44 percent in 2024. These contributions show that the processed food and beverage industry has a significant role in creating economic added value, increasing labor absorption, strengthening national industrial resilience, and supporting sustainable economic growth. In addition, the increasing population, changes in people's consumption patterns, the development of production technology, and the growth of domestic and international markets have also encouraged an increase in business activities in this subsector. However, increasing business competition, fluctuations in raw material prices, changes in consumer preferences, inflationary pressures, and uncertainty in global economic conditions have caused companies in the processed food and beverage subsector to face increasingly complex challenges in maintaining their financial performance and competitiveness. These conditions show that the success of a company is not only determined

by the overall growth of the industry, but also by the ability of each company to effectively manage the resources it has to generate sustainable profits and support operational activities (Tampubolon et al., 2025).

Although the processed food and beverage industry shows positive growth prospects, this condition is not always followed by an improvement in the financial performance of all companies listed on the Indonesia Stock Exchange (IDX). Differences in operational strategies, resource use efficiency, funding structures, and the company's ability to respond to changes in the business environment cause the level of profitability between companies to tend to vary. Some companies are able to maintain relatively stable profit levels, while others experience a decline in profitability despite operating in the same industry. This phenomenon indicates that industrial growth does not automatically guarantee an increase in the company's profitability. Therefore, it is necessary to identify internal factors of the company that are able to explain the difference in the company's ability to generate profits. Understanding these factors is important because profitability not only reflects the company's success in carrying out its operational activities, but is also a key indicator for investors, creditors, and other stakeholders in assessing the company's prospects and business sustainability (Della & Mustika, 2025). This ratio can also be a reflection of the success of the company's management (Alfarizi & Ramadhan, 2025).

To explain why companies in the same industry can generate different levels of profitability, a theoretical perspective is needed that can explain how companies manage their resources. This study uses *Resource-Based View (RBV)* as the main theoretical foundation. RBV states that the company's competitive advantage is based on its internal factors (Romadhani et al., 2020). Through this perspective, companies that are able to utilize resources effectively will have a competitive advantage that is ultimately reflected in improved financial performance and profitability. Thus, profitability is not only affected by the external conditions of the company, but also by the management's ability to efficiently allocate and optimize internal resources. The Resource-Based View (RBV) perspective is relevant in explaining that the management of operational activities and company characteristics can be strategic resources that create a sustainable competitive advantage in companies in the processed food and beverage sub-sector.

Based on the *Resource-Based View* perspective, operational factors are a form of internal resource utilization that has the potential to affect the company's profitability. In this study, operational factors are represented by production costs, promotional costs, and sales volume. Production costs reflect a company's ability to efficiently manage production resources so that it is able to produce products at competitive costs without compromising product quality.

Meanwhile, promotional costs are a company's investment in marketing activities that aim to increase brand awareness, expand market share, and encourage increased product demand. On the other hand, sales volume describes the needs of the market so that it contributes to an increase in revenue (Bilqis & Muhammad, 2025). However, an increase in production costs and promotional costs is not always followed by an increase in profitability. If the company is unable to manage these resources efficiently or if increased costs do not result in comparable sales growth. Therefore, the effectiveness of asset management in generating profits, plays a role in determining business continuity and resilience (Jannah et al., 2024).

The difference in the company's ability to generate profitability is not only influenced by the effectiveness of managing operational activities, but also determined by the characteristics of the company that reflect the capacity and policy of financial resource management. In this study, the characteristics of the company are proxied through leverage and company size. Leverage relates to a company's decision to use debt as a source of funding, while the size of the company reflects the scale of operations and resource capacity the company has. The relationship between leverage and profitability can be explained through *the Trade-Off Theory*, which states that the use of debt is able to increase the value of the company through tax benefits, but at the same time increases the risk of bankruptcy and agency costs if the proportion of debt exceeds the optimal level (Sabakodi & Andreas, 2024). Meanwhile, companies with larger sizes generally have wider access to funding sources, technology, distribution networks, and opportunities to gain economies of scale. However, larger companies also face organizational complexity, coordination costs, and potential operational inefficiencies that can affect the company's ability to generate profits. Therefore, leverage and company size are relevant characteristics to explain the variation in a company's profitability in the processed food and beverage industry (Ahmed et al., 2023; Daruwala, 2023).

Various previous studies have investigated the determinants of company profitability using a variety of variables, industry contexts, and observation periods. Research on production costs shows that production cost efficiency has the potential to increase a company's profitability through cost control and increased profit margins, although some studies have found that the magnitude of production costs does not always result in an increase in profit if it is not balanced with the effectiveness of the production process. Research on promotional costs has also produced mixed findings, with some studies showing that promotions are able to increase profitability through increased sales and customer loyalty, while other studies have found that high promotional costs actually reduce profitability if the economic benefits are not able to cover the costs incurred. Similarly, in the variables of sales volume, leverage, and

company size, the results of previous research still showed inconsistencies, both in the direction and significance of their influence on profitability. These differences indicate that the relationship between variables is still influenced by industry characteristics, economic conditions, company strategies, and observation periods used, so that further empirical testing is still needed, especially in processed food and beverage subsector companies in Indonesia (Ardiningsih & Musmin, 2023; Ahmed et al., 2023; Matsoma, 2022).

Although research on the determinants of profitability has developed quite rapidly, there are still some limitations that open up opportunities for further research. First, most previous research has focused on testing operational factors or company characteristics separately so it has not provided a comprehensive picture of how these two groups of factors simultaneously affect a company's profitability. Second, previous research has generally been conducted on the manufacturing sector in general or on different research objects so that the specific characteristics of companies in the processed food and beverage subsector have not been widely explored. Third, most studies use a relatively short observation period so that they have not been able to describe the dynamics of changes in company conditions over a longer period of time. Based on these limitations, this study integrates operational factors, consisting of production costs, promotional costs, and sales volume, with firm characteristics, namely leverage and company size, in a panel data regression model on companies in the processed food and beverage subsector listed on the Indonesia Stock Exchange during the period 2018–2025. This approach is expected to provide a more comprehensive understanding of the determinants of profitability, enrich the application of Resource-Based View and Trade-Off Theory in the context of manufacturing companies in developing countries, and provide more up-to-date empirical evidence on the factors that affect the profitability of companies.

Based on the background, theoretical foundation, and research gaps that have been described, this study aims to analyze the influence of production costs, promotion costs, sales volume, leverage, and company size on profitability in companies in the processed food and beverage subsector listed on the Indonesia Stock Exchange during the period 2018–2025. This research is expected to contribute to the development of accounting and financial literature through the integration of operational factors and company characteristics in explaining profitability based on the perspective of *Resource-Based View* and *Trade-Off Theory*. In addition, the results of the research are expected to provide practical implications for the company's management in formulating strategies for managing operational costs, promotional activities, increasing sales, and more effective funding policies to increase profitability and

strengthen the company's competitiveness in the midst of the dynamics of the processed food and beverage industry.

2. THEORETICAL STUDIES

Resource-Based View (RBV)

Resource-Based View (RBV) is one of the theories widely used to explain how companies gain and maintain a competitive advantage through internal resource management. RBV arises from the question of why a company is able to be superior to other similar companies (Nurkhalizah & Diana, 2022). Wernerfelt (1984) introducing RBV by emphasizing that the company's resources are strategic assets that are the basis for creating competitive advantage. These resources include not only tangible assets such as capital and production facilities, but also intangible assets, including managerial capabilities, organizational knowledge, operational systems, technology, and the company's ability to effectively manage business activities. Thus, the difference in performance between companies in the same industry can be explained by the difference in the company's ability to manage and utilize its resources optimally (Wernerfelt, 1984).

In the context of this study, *Resource-Based View* is used as a *grand theory* to explain the relationship between operational factors and company profitability. Production costs, promotional costs, and sales volume are seen as representations of a company's ability to manage operational resources to create economic value. Meanwhile, the characteristics of the company, such as the size of the company, also reflect the capacity of the resources that the company has in supporting operational activities and the creation of competitive advantages. Therefore, RBV provides a relevant theoretical foundation to explain that the effectiveness of internal resource management will determine the company's ability to increase profitability in a sustainable manner. Thus, this theory becomes a conceptual basis in establishing the relationship between operational factors, company characteristics, and profitability in companies in the processed food and beverage subsector listed on the Indonesia Stock Exchange.

Trade-Off Theory

Trade-Off *theory* can be assessed on both static and dynamic models. The static model assumes that the capital structure is a long-term condition. Whereas the dynamic model recognizes that the company's capital structure continues to be adjusted as internal or external responses change (Abdeljawad & Farhood, 2025). Myers, (1984) explained that the use of debt provides benefits in the form of *tax shields* because interest expense can reduce the company's

tax liability. However, the increase in the proportion of debt is also followed by an increase in the risk of bankruptcy (*financial distress*), *agency costs*, and potential conflicts between shareholders and creditors. Thus, leverage levels that are too high or too low can affect a company's ability to create value and generate profitability (Myers, 1984).

Companies that are able to manage their capital structure optimally have the potential to benefit from the use of debt through tax efficiency and increased investment capacity so that they can increase profitability. On the other hand, excessive use of debt can increase interest expenses, increase financial risk, and reduce the company's ability to generate profits. However, the optimal debt level can vary from company to company because it is influenced by industry characteristics, cash flow stability, business risk, asset capacity, and the company's ability to meet long-term obligations. These differences in characteristics cause the influence of leverage on profitability to not always show a consistent relationship as described in various empirical studies. Therefore, the relationship between leverage and profitability is still a relevant issue to be studied, especially in companies in the processed food and beverage subsector that have different operational characteristics and funding structures compared to other manufacturing subsectors. Thus, *the Trade-Off Theory* provides a conceptual basis that capital structure decisions are one of the important determinants in explaining the variation in the profitability of the company.

Production Cost and Profitability

Based on the Resource-Based View (RBV) perspective, the efficiency of production cost management reflects the company's ability to optimally utilize internal resources to create added value and competitive advantage. Effective production cost management allows companies to control raw material usage, labor, and overhead costs so that the production process runs efficiently without compromising product quality. This efficiency can increase profit margins through reducing production costs per unit while strengthening the company's ability to face market competition. Conversely, inefficient management of production costs can increase operational costs, reduce production efficiency, and ultimately decrease the company's profitability (Wernerfelt, 1984).

The results of previous studies show that the relationship between production costs and profitability still provides mixed findings. Several studies have found that efficient management of production costs can increase a company's profitability because it promotes operational efficiency and increased profit margins (Sharma et al., 2021; Atriani et al., 2025). However, other studies report that increased production costs are actually correlated with decreased profitability, especially when companies are unable to effectively control raw

material, labor, and production overhead costs, thereby increasing operational costs and depressing company profits (Ardiningsih & Musmin, 2023). The difference in the results of the study shows that the effect of production costs on profitability still requires further testing, especially in companies in the processed food and beverage subsector that have different characteristics of production costs and market competition compared to other manufacturing subsectors. Based on the theoretical foundation and the results of previous research, the research hypothesis is formulated as follows:

H1: Production costs affect profitability.

Promotion Cost and Profitability

Based on the Resource-Based View (RBV) perspective, promotional costs are a form of strategic investment by companies in utilizing marketing resources to create a competitive advantage. Effective promotional activities can increase brand *awareness*, expand market share, strengthen customer loyalty, and encourage increased demand for company products. Therefore, optimally managed promotion cost allocation is a form of investment that supports the company's value creation through increased sales and profitability performance. However, if promotional expenses are not designed effectively, the increase in operating costs is not always offset by revenue growth, so it can have a negative impact on the company's profitability.

Previous research has shown that the relationship between promotional costs and profitability still yields mixed findings. Several studies have shown that promotional costs have a positive effect on profitability because promotional activities carried out continuously are able to increase product recognition, expand market share, and encourage increased sales which ultimately increases the company's profits (Hidayat et al., 2023). However, another study found that promotional costs have a negative effect on profitability because increased marketing costs are not always followed by a proportionate increase in revenue, thus increasing the company's operating expenses (Mukendi et al., 2025). The difference in the results of the study shows that the effectiveness of promotional costs is highly dependent on the company's ability to design the right marketing strategy and convert promotional activities into increased sales and profits. Therefore, the effect of promotional costs on profitability still requires further testing, especially in companies in the processed food and beverage subsector that have high market competition characteristics. Based on the theoretical foundation and the results of previous research, the research hypothesis is formulated as follows.

H2: Promotional costs affect profitability.

Sales Volume and Profitability

Based on the Resource-Based View (RBV) perspective, sales volume reflects a company's ability to leverage internal resources and capabilities to create economic value. The high sales volume shows that the company is able to optimize production capacity, manage marketing activities effectively, and meet market needs through competitive products. Increasing sales volume has the potential to increase revenue and increase a company's profit as long as it is followed by efficient cost control. On the other hand, an increase in sales volume does not necessarily result in higher profitability when accompanied by increased operating costs, distribution costs, or marketing costs that exceed the additional revenue earned. Therefore, sales volume is seen as one of the indicators that reflects the effectiveness of the company in utilizing internal resources to increase profitability (Wernerfelt, 1984).

Previous research has shown that the relationship between sales volume and profitability still yields mixed findings. Several studies have found that sales volume has a positive effect on profitability because increased sales can increase revenue, increase profit margins, and strengthen the company's financial performance (Fatimah & Sumarni, 2020). However, other studies report that sales volume has a negative effect on profitability because increased sales are not always followed by operational cost efficiency or increased profit margins. In these conditions, the increase in sales can be followed by an increase in production, distribution, and marketing costs so that the profits obtained by the company do not increase optimally. The difference in the results of the study shows that the influence of sales volume on profitability is greatly influenced by the company's ability to control costs and manage operational activities efficiently. Therefore, the relationship between sales volume and profitability still requires further testing on companies in the processed food and beverage subsector that have operational characteristics and dynamic market competition. Based on the theoretical foundation and the results of previous research, the research hypothesis is formulated as follows.

H3: Sales volume affects profitability.

Leverage and Profitability

Based on the Trade-Off Theory, the use of debt in the capital structure can increase the value of the company through *the tax shield* benefits derived from interest expenses. However, an increase in the proportion of debt will also increase the risk *of financial distress*, agency costs, and interest expenses that must be borne by the company. Therefore, companies need to determine the optimal level of leverage so that the benefits of using debt outweigh the costs incurred. Thus, leverage is one of the factors that has the potential to affect the company's ability to generate profitability (Myers, 1984).

Previous research has shown that the relationship between leverage and profitability still yields mixed findings. Several studies have found that leverage has a positive effect on profitability because the optimal use of debt can increase investment capacity, expand operational activities, and provide tax benefits that ultimately increase the company's profits (Isayas, 2022). On the contrary, most studies show that leverage has a negative effect on profitability because the high proportion of debt increases interest expenses, financial risks, and potential *financial distress* thereby reducing the company's ability to generate profits (Tirtanata & Yanti, 2021; Yadav et al., 2022; Basdekis et al., 2020; Ayoush et al., 2021). The difference in the results of the study shows that the influence of leverage on profitability is influenced by the company's ability to optimally manage its capital structure in accordance with industry characteristics, business risk levels, and the company's financial condition. Therefore, the relationship between leverage and profitability is still relevant to be tested in companies in the processed food and beverage subsector that have diverse funding needs and capital structures. Based on the theoretical foundation and the results of previous research, the research hypothesis is formulated as follows.

H4: Leverage affects profitability.

Firm Size and Profitability

Based on the Resource-Based View (RBV) perspective, the size of a company reflects the company's capacity to master and utilize strategic resources to create a competitive advantage. Companies that have a larger size are generally supported by the ease of obtaining funding (Reyes & Syahputra, 2025). Ease in funding will certainly bring ease in obtaining resources. A company's ability to leverage its resources to generate profits is reflected in its profitability, which makes it a crucial benchmark for evaluating its overall success (Kencana et al., 2025). The availability of these resources allows companies to improve operational efficiency, expand market share, and strengthen competitiveness so that it has the potential to increase profitability.

Most studies have found that the size of a company has a positive effect on profitability because larger companies have stronger resource capacity, easier access to funding, and a better ability to take advantage of market opportunities to increase profits (Tirtanata & Yanti, 2021; Isayas, 2022). On the other hand, some studies report that company size has a negative effect on profitability because the larger scale of the company can increase operational complexity, administrative costs, and inefficiencies in resource management, thus reducing the company's ability to generate profits (Yadav et al., 2022; Matsoma, 2022; Zavalii et al., 2025). The difference in the results of the study shows that the influence of company size on profitability

is not only determined by the size of the assets owned, but also by the company's ability to manage resources effectively and efficiently. Therefore, the relationship between company size and profitability still requires further testing on companies in the processed food and beverage subsector that have diverse asset characteristics and operational strategies. Based on the theoretical foundation and the results of previous research, the research hypothesis is formulated as follows.

H5: The size of the company affects profitability.

3. RESEARCH METHODS

The data in this research was obtained from the annual financial statements of companies in the processed food and beverage subsector listed on the Indonesia Stock Exchange (IDX) for the period 2018–2025. The research population consists of 45 companies, which include 34 companies in the processed food subsector and 11 companies in the beverage subsector. Based on the criteria that have been set, 13 companies were obtained as research samples with a total of 104 observations.

Table 1. Sample and Total Observations.

Criteria	Quantity
Processed food and beverage sub-sector companies listed on the IDX	45
Not listed consecutively during the period 2018–2025	(19)
Doesn't present promotional fee accounts	(3)
Incurred losses during the study period	(8)
Alcoholic beverage companies	(2)
Number of sample companies	13
Year of observation	8
Total observe, so	104

The dependent variable in this study is profitability which is proxied using Return on Assets (ROA). Independent variables include production costs, promotional costs, sales volume, leverage, and company size. The operational definition and measurement of each variable is presented in Table 2.

Table 2. Variable Operations.

Variable	Proksi	Measurement
Profitability	ROA	Net Profit / Total Assets
Production Costs	PC	Total Production Cost
Promotion Fees	PR	Total Promotion Cost
Sales Volume	SV	Total Sales
Leverage	LEV	Total Liabilities / Total Assets
Company Size	SIZE	Ln(Total Assets)

Data analysis was performed using panel data regression with the help of Stata 17 software. The selection of estimation models is carried out in stages through the Chow test, Hausman test, and Lagrange Multiplier (LM) test to determine the most suitable model, namely Common Effect Model (CEM), Fixed Effect Model (FEM), or Random Effect Model (REM)

(Basuki, 2021). Furthermore, hypothesis testing was carried out using a t-test at a significance level of 5% to test the influence of each independent variable on profitability. The research model is formulated as follows:

$$ROA_{it} = \alpha + \beta_1 PC_{it} + \beta_2 PR_{it} + \beta_3 SV_{it} + \beta_4 LEV_{it} + \beta_5 SIZE_{it} + \varepsilon_{it}$$

4. RESULT AND DISCUSSION

Descriptive Statistics

Table 3. Descriptive Statistic.

Variable	Obs.	Mean	Std. Dev.	Min	Max
Profitability (ROA)	104	0.103960	0.047387	0.018375	0.221789
Production Cost	104	28.363.010	2.023.074	23.895.980	32.015.150
Promotion Cost	104	25.977.600	1.666.607	23.096.960	28.920.620
Sales Volume	104	29.523.120	1.519.966	27.235.550	32.447.210
Leverage	104	0.365614	0.170976	0.085905	0.747882
Firm Size	104	29.448.100	1.573.935	27.008.280	33.015.430

Source: Processed data using Stata 17 (2026).

Descriptive statistics are used as an initial analysis to understand the patterns, characteristics, and distribution of data before further analysis, such as regression tests or hypothesis testing.

Model Selection Test

Table 4. Model Selection Test.

Test	Probability	Selected Model
Chow Test	0.000	Fixed Effect Model
Hausman Test	0.002	Fixed Effect Model

Source: Processed data using Stata 17 (2026).

The FEM model was found to be more suitable to be used to explain the hypothesis in this research, compared to other models.

Panel Regression Results

Table 5. FEM Result.

Variables	Coefficient (β)	Robust Std. Error	t-value	p-value
Constant	-0.9909	0.3121	-3.18	0.002
Production Cost	-0.0264	0.0183	-1.44	0.154
Promotion Cost	-0.0167	0.0064	-2.60	0.011
Sales Volume	0.1384	0.0261	5.31	0.000
Leverage	-0.1130	0.0375	-3.01	0.003
Firm Size	-0.0601	0.0150	-4.02	0.000

Notes: β = regression coefficient. Robust standard errors are reported in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.

Source: Processed data using Stata 17 (2026).

Table 5 presents the results of the panel data regression estimation using a Fixed Effect Model (FEM) that has been selected based on the results of the model selection test. The findings indicate that the variables of production costs, promotional costs, sales volume,

leverage, and company size together affect the company's profitability. Based on the test results, production costs did not show a significant influence on profitability, while promotional costs, sales volume, leverage, and company size were proven to have a significant effect. Further discussion of the influence of each variable on profitability is presented in the next subsection.

Discussion

Production Cost and Profitability

The regression results showed that the production cost had a coefficient of -0.0264 with a p-value of 0.154 , so H1 was not supported. These results show that production costs do not have a significant effect on the profitability of companies in the processed food and beverage subsector listed on the Indonesia Stock Exchange during the 2018–2025 period. Thus, changes in production costs are not directly followed by changes in the company's profitability.

In the perspective of the Resource-Based View (RBV), production costs reflect the utilization of the company's resources in carrying out operational processes. However, the magnitude of production costs is not the main indicator that determines the level of profitability of a company. RBV emphasizes that competitive advantage is obtained through the company's ability to manage and combine resources effectively so as to be able to create added value. Therefore, increasing production costs does not necessarily increase or decrease profitability if the company is able to manage the production process efficiently, optimize the use of resources, and produce products that have economic value for the company.

The findings of this study are consistent with the research of Farhan et al., (2025) which also found that production costs do not have a significant effect on profitability. The similarity of these results shows that the large cost of production is not necessarily the main factor in increasing the company's profitability. Profitability is more influenced by the company's ability to manage resources efficiently, increase operational productivity, and optimize business strategies to create a sustainable competitive advantage.

Promotion Cost and Profitability

The regression results showed that the promotion cost had a coefficient of -0.0167 with a p-value of 0.011 , so H2 was supported. These results show that promotional costs have a negative and significant effect on the profitability of companies in the processed food and beverage sub-sector listed on the Indonesia Stock Exchange during the 2018–2025 period. Thus, an increase in promotional costs tends to be followed by a decrease in the company's profitability.

In the perspective of the Resource-Based View (RBV), promotional costs are a form of investment in corporate resources to build brand awareness, expand market share, and create a competitive advantage. However, such investments do not always yield economic benefits in the short term. If the expenditure of promotional costs is not offset by the increase in sales or is not managed effectively, then these costs will increase the company's operational burden so that it has an impact on reducing profitability. Thus, the results of this study show that the effectiveness of marketing resource management determines value creation more than the amount of promotional costs incurred.

The findings of this study are consistent with the research Mukendi et al., (2025) which also found that promotional costs have a negative and significant effect on profitability. The similarity of these results indicates that an increase in promotional budgets is not necessarily able to increase profitability if it is not accompanied by the right marketing strategy, the effectiveness of promotional programs, and the company's ability to convert promotional activities into increased sales and profits.

Sales Volume and Profitability

The regression results showed that the sales volume had a coefficient of 0.1384 with a p-value of 0.000, so H3 was supported. These results show that sales volume has a positive and significant effect on the profitability of companies in the processed food and beverage subsector listed on the Indonesia Stock Exchange during the 2018–2025 period. Thus, an increase in sales volume tends to be followed by an increase in the company's profitability.

In the perspective of the Resource-Based View (RBV), sales volume reflects the company's ability to utilize its resources to create economic value through operational and marketing activities. Companies that are able to manage resources effectively, produce products that meet market needs, and implement the right marketing strategies will have a greater chance of increasing sales volume. The increase in sales contributes to the increase in the company's revenue so that it can increase profitability. Therefore, the results of this study show that the company's ability to optimize the use of resources is an important factor in encouraging increased profitability.

The findings of this study are consistent with the research Ramadhani et al., (2025) which also found that sales volume has a positive and significant effect on profitability. The similarity of these results indicates that increasing sales volume is one of the factors that can increase the company's profitability. For companies in the processed food and beverage subsector, the high sales volume indicates the company's success in meeting market demand, expanding market share, and utilizing resources effectively to produce better financial performance.

Leverage dan Profitabilitas

The regression results show that the leverage has a coefficient of -0.1130 with a p-value of 0.003 , so H_4 is supported. These results show that leverage has a negative and significant effect on the profitability of companies in the processed food and beverage subsector listed on the Indonesia Stock Exchange during the 2018–2025 period. Thus, increased leverage tends to be followed by a decrease in the company's profitability.

In the perspective of Trade-Off Theory, the use of debt can provide benefits in the form of *tax shields*, but these benefits are only obtained up to the optimal debt level. If the use of debt exceeds the optimal level, the company will face increased interest costs, financial risks, and potential *financial distress* that ultimately suppresses profitability. The results of this study show that the average Debt to Asset Ratio (DAR) of the company is 36.5% , slightly higher than the industry standard of 35% according to Kasmir (2019). This indicates that although the company is still able to manage its debt usage, an increase in leverage that exceeds operational needs has the potential to increase funding costs and thus have an impact on declining profitability.

The findings of this study are consistent with the research Basdekis et al., (2020) which also found that leverage has a negative and significant effect on profitability. The similarity of these results shows that increased debt use does not necessarily improve a company's financial performance. Therefore, companies need to maintain their capital structure at an optimal level so that the benefits of using debt can be obtained without increasing excessive financial risks so that the company's profitability is maintained.

Firm Size and Profitability

The regression results show that the firm size has a coefficient of -0.0601 with a p-value of 0.000 , so H_5 is supported. These results show that the size of the company has a negative and significant effect on the profitability of companies in the processed food and beverage subsector listed on the Indonesia Stock Exchange during the period 2018–2025. Thus, an increase in the size of a company is likely to be followed by a decrease in profitability.

In the perspective of the Resource-Based View (RBV), the size of a company reflects the amount of resources the company has. However, RBV emphasizes that competitive advantage is not determined by the abundance of resources, but rather by the company's ability to effectively manage and utilize those resources to create value. Companies with larger sizes generally have higher assets, operational costs, and organizational complexity. If the increase in the company's scale is not balanced with the efficiency of resource management, then the increased operational costs can reduce the company's ability to generate profits. Therefore, the

results of this study show that the growth of company size is not always followed by an increase in profitability.

The findings of this study are consistent with the research Yadav et al., (2022) and Matsoma (2022) who also found that company size has a negative and significant effect on profitability. The similarity of these results indicates that companies of larger scale face challenges in maintaining operational efficiency and controlling costs. For companies in the processed food and beverage subsector, asset increase and business expansion need to be balanced with effective resource management so that company size growth is able to result in sustainable increased profitability.

5. CONCLUSIONS

The results of the study show that production costs do not have a significant effect on profitability. Meanwhile, promotional costs, leverage, and company size have a negative and significant effect on profitability, while sales volume has a positive and significant effect on profitability. These results show that a company's profitability is not only determined by the amount of resources it has or the costs incurred, but also by the company's ability to manage resources effectively, improve operational efficiency, and maintain an optimal funding structure.

Overall, the findings of this study send the message that increasing profitability is not enough to be achieved simply by increasing expenses or scaling the company. Companies need to ensure that every resource and cost used is capable of generating optimal economic benefits. In other words, the effectiveness of resource management, operational efficiency, control of the funding structure, and increase in sales volume are important aspects in supporting the achievement of better profitability.

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