



THE EFFECT OF DEGREE OF OPERATING LEVERAGE, DEGREE OF FINANCIAL AND COMBINATION LEVERAGE ON RETURN ON EQUITY AT PT. MAYORA INDAH TBK

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Abstract. This study aims to determine the effect of Degree of Operating Leverage (DOL), Degree of Finance Leverage (DFL), and Degree of Combined Leverage (DCL) on Return on Equity (ROE) at PT. Mayora Indah Tbk. The study uses a quantitative method with a causal approach, as well as secondary data in the form of financial statements for the period 2014–2023. The analysis was carried out through multiple linear regression, classical assumption tests, t-tests, F-tests, and coefficients of determination (R^2) using SPSS. The results show that DOL has a significant positive effect on ROE, indicating that increasing operational Leverage can increase returns on equity. DFL has no significant effect, indicating that interest expense is relatively stable so it does not have a strong effect on ROE. Meanwhile, DCL has a significant but negative effect, meaning that the combination of excessive operational and financial Leverage actually suppresses the company's profitability. Simultaneously, DOL, DFL, and DCL have no significant effect on ROE. Thus, other factors outside of Leverage also play a role in influencing the financial performance of PT. Mayora Indah Tbk.

Keywords: degree of operating leverage (dol); degree of finance leverage (dfl); degree of combined leverage (dcl); return on equity (roe).

1. Introduction

In a competitive and dynamic business environment, companies are required to manage resources effectively and efficiently to achieve optimal financial performance. One important indicator for measuring a company's financial performance, particularly from a shareholder perspective, is Return on Equity (ROE). ROE reflects a company's ability to generate net profit on the capital invested by shareholders. Therefore, ROE is a crucial measure for assessing a company's efficiency and profitability.

According to Kasmir (2023: 7), financial statements are records or reports that describe a company's financial condition during a specific period. Hery (2021: 3) then defines financial statements as the result of the process of recording financial transactions. They can be used as a tool to provide information about a company's financial data or activities to interested parties. A company's financial statements report what actually happened to assets, profits, and dividends during a specific period (Brigham and Houston, 2020: 72).

According to Alexander (2022: 2), financial statement analysis is a method for examining and separating financial statements into their elements and analyzing each of these elements to obtain a good and accurate understanding of the financial statements. Kariyoto (2017: 21) further defines financial statement analysis as a process involving in-depth review to evaluate a company's current and past financial position and results of activities. This allows for the most likely estimates and predictions regarding the company's future performance and capabilities.

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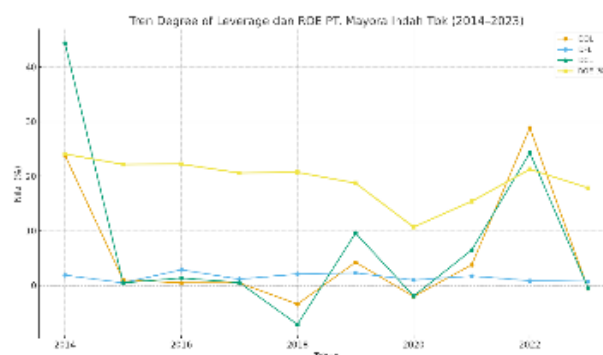


Figure 1. Tren Degree of Leverage and ROE PT. Mayora Indah Tbk (2014 – 2023)

In the context of financial management, the concept of leverage plays a crucial role in determining a company's cost and risk structure. The Degree of Operating Leverage (DOL) reflects the sensitivity of operating profit to changes in sales volume. The higher the DOL, the greater the change in operating profit when sales fluctuate, indicating a high proportion of fixed costs in the company's cost structure. Meanwhile, the Degree of Financial Leverage (DFL) indicates the sensitivity of net profit to changes in operating profit due to the use of fixed financing sources, such as interest-bearing debt. These two types of leverage can be combined into the concept of the Degree of Combined Leverage (DCL), which measures the effect of changes in sales on overall net profit.

The use of leverage, both operational and financial, is a strategic decision that can affect a company's risk level and rate of return. Therefore, a comprehensive understanding of the influence of DOL, DFL, and DCL on ROE is crucial for management and investors when making business and investment decisions.

Degree of Operating Leverage (DOL) is a ratio that measures how much changes in operating profit are affected by changes in sales. DOL illustrates the sensitivity of operating profit to fluctuations in sales revenue, which arises from the high proportion of fixed costs in the company's cost structure. Companies with high fixed costs typically have a higher DOL, so an increase in sales will significantly impact operating profit, but also increase the risk of loss if sales decline (Brigham & Houston, 2021).

Degree of Financial Leverage (DFL) is a measure of the extent to which net income available to shareholders is affected by changes in operating profit due to the use of fixed financing sources, particularly interest-bearing debt. According to Gitman & Zutter (2020), the higher the proportion of debt in the capital structure, the greater the risk a company faces, as it is obliged to pay interest even when sales decline.

Combined leverage occurs when a company has both operating and financial leverage in the hope of increasing returns for common shareholders.



Figure 2. Research Model

Return on Equity (ROE) is a key indicator often used by investors and managers to assess a company's efficiency in generating profits from each dollar of equity held (Bahri et al., 2023). This metric demonstrates a company's ability to generate profits that are returned as value to

shareholders. PT. Mayora Indah Tbk, as one of the leading companies in the consumer goods industry in Indonesia, has a complex cost and financial structure and has been operating for a long time. The company has access to capital markets, so its leverage strategy has the potential to significantly impact profitability and returns on capital. Therefore, this company is a relevant object for study in the context of the effect of leverage on ROE.

However, studies specifically examining the relationship between the degree of leverage, both partially and simultaneously, and ROE in companies in this sector are still limited. Therefore, this study aims to analyze and test this issue, entitled: **“The effect of the degree of operating leverage, degree of financial leverage, and degree of combined leverage on return on equity at PT. Mayora Indah Tbk.”**

2. Research Methods

This research uses a quantitative descriptive method with a causal approach. This method aims to describe the characteristics of each variable and test the causal relationship between leverage (DOL, DFL, DCL) and ROE (Sugiyono, 2021).

The research variables consist of:

1. Independent Variable (X):

According to Prof. Mudrajat Kuncoro, Ph.D. (2013:50), leverage is a variable that can influence changes in the dependent variable and has a positive or negative relationship with the dependent variable. Variations in the dependent variable are the result of the independent variable. In relation to the problem being studied, the independent variables are:

- a. DOL (X1): A ratio that measures the sensitivity of operating profit to changes in sales.
- b. DFL (X2): A ratio that measures the effect of changes in operating profit on earnings per share due to the use of interest-bearing debt.
- c. DCL (X3): The combined effect of DOL and DFL on net profit.

2. Dependent Variable (Y):

According to Prof. Mudrajat Kuncoro, Ph.D. (2013:50) defines profitability as a variable that is the primary focus in an observation. Observations can predict or apply variables to the dependent variable and their subsequent changes.

ROE (Y): A ratio that measures a company's ability to generate net income based on shareholder equity.

Data Collection Techniques

To complete and complete this research proposal, the author uses the following data and information:

1. Field Research

This research aims to obtain secondary data, and the research object will be examined using company data collection through the investment gallery of the Indonesia Stock Exchange, Faculty of Economics and Business, Siliwangi University.

2. Library Research

This research involves collecting data and information by studying or reading books related to the problem being studied.

The research model is an abstraction of the phenomena being studied, in accordance with the chosen title. The author took the research title regarding "The Effect of Inventory Turnover and Accounts Receivable Turnover on Return on Assets". Therefore, the author presents the research paradigm along with indicators for each research variable, both independent variable indicators, namely inventory turnover (X1) and accounts receivable turnover (X2) and dependent variables, namely return on assets (Y).

The relationship between the variables in this study can be described as follows: This model shows that DOL and DFL influence DCL, and DCL subsequently influences ROE.

1. Data Analysis Technique: Normality Test (P-P Plot or Kolmogorov-Smirnov)

The normality test is used to determine whether the independent and dependent variables in the regression equation have a normal distribution. A good regression model has a normal or near-normal data distribution. Data normality can be determined by examining the histogram or normal distribution pattern. Normality can be determined by observing the distribution of data (points) on the diagonal axis of the graph or by examining the histogram of residual values. The normality test in this study was conducted using the Kolmogorov-Smirnov test. If the significance level shown in the table is less than 5% alpha, the data does not meet the assumption of normality. Conversely, if the significance level in the table is greater than 5% alpha, the data meets the assumption of normality.

2. Multicollinearity Test (Tolerance & VIF)

The multicollinearity test aims to determine whether there is a correlation between the independent variables. If a correlation occurs, multicollinearity is present. In a good regression model, there is no correlation between the independent variables. This symptom can be detected by the tolerance value and the variance inflation factor (VIF). A low tolerance value equates to a high VIF value. A commonly used cutoff value to indicate multicollinearity is a tolerance value <0.10 or equal to a VIF value >10 .

3. Heteroscedasticity Test (Scatterplot or Park Test)

The multicollinearity test aims to determine whether a regression model exhibits unequal variances between the residuals from one observation to another. If the variance of the residuals remains constant, it is called homoscedasticity, and if the variances differ, it is called heteroscedasticity. A good regression model is free of heteroscedasticity. To detect the presence of heteroscedasticity, a scatterplot graph and Park Test can be used. Park proposed a method that states that variance (s^2) is a function of the independent variables. This test is performed by squaring the residual value (U_{2i}) from the model, then logarithmizing the squared residual value ($\ln U_{2i}$). The logarithm of the squared residual value is then entered as the dependent variable in the new regression equation. If the t-value obtained from the new regression equation is greater than 5% alpha, heteroscedasticity is considered absent in the model data. Conversely, if the significance value obtained is less than 5% alpha, heteroscedasticity is considered present in the model data.

4. Autocorrelation Test (Durbin-Watson)

This test is performed to demonstrate the absence of autocorrelation or sequential conditions among the disturbances entering the regression function. The Durbin-Watson test, or d-test, can be used to detect the presence or absence of autocorrelation. The d-value ranges from 0 to 4, and also has a lower limit (dL) and an upper limit (dU). The determination of the presence or absence of autocorrelation is based on the following conditions:

- a. Positive autocorrelation occurs if the DW is below -2 ($DW < -2$).
- b. No autocorrelation occurs if the DW value is between -2 and +2.
- c. Negative autocorrelation occurs if the DW value is above +2 ($DW > +2$).

Multiple linear regression analysis is a linear relationship between two or more independent variables (X_1, X_2, X_3, X_n) and a variable (Y). This analysis is used to determine the direction of the relationship between the independent variables and the dependent variable, whether each independent variable is positively or negatively related, and to predict the value of the dependent variable if the independent variable increases or decreases. The data used is usually on an interval or ratio scale.

3. Results and Discussion

3.1 Results

Table 1. Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandar dized Residual
N		10
Normal Parameters ^{a,b}	Mean	0E-7
	Std.	3.4010086
	Deviation	1
Most Extreme Differences	Absolute	.155
	Positive	.132
	Negative	-.155
Kolmogorov-Smirnov Z		.489
Asymp. Sig. (2-tailed)		.971

a. Test distribution is Normal.

b. Calculated from data.

SPSS Output Source

Based on the results of the one-sample Komogorov-Smirnov analysis, the Asymp.sig. (2-tailed) value is 0.971. This value is greater than $\alpha=0.05$ ($0.971>0.05$), indicating that the data are normally distributed.

Table 2. Multicollinearity Test

Coefficients ^a			
Model	Collinearity Statistics		
	Tolerance	VIF	
1	DOL	.153	6.539
	DFL	.863	1.158
	DCL	.153	6.530

a. Dependent Variable: ROE

SPSS Output Source

The results of the multicollinearity test in this study are as follows:

- The tolerance value for the degree of operational leverage (DOL) is $0.153 > 0.10$, and the VIF value for DOL is $6.539 < 10$.
- The tolerance value for DFL is $0.863 > 0.10$, and the VIF value is $1.158 < 10$.
- The tolerance value for DCL is $0.153 > 0.10$, and the VIF value is $6.530 > 10$.

Table 3. Coefficient

Model Summary^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.498 ^a	.248	-.129	4.16537

a. Predictors: (Constant), DCL, DFL, DOL

b. Dependent Variable: ROE

SPSS Output Source

Based on the coefficient table, it can be seen that the regression model does not show any symptoms of multicollinearity, as the tolerance value is > 0.10 and the VIF value is < 10 .

Table 4. Heteroscedasticity Test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.446	1.583		2.808	.031
	DOL	-.138	.156	-.765	-.884	.411
	DFL	-.939	.940	-.364	-.999	.356
	DCL	.042	.113	.319	.368	.725

a. Dependent Variable: Abs_RES

SPSS Output Source

The results of the heteroscedasticity test in this study are as follows:

- DOL has a significance value of $0.411 > 0.03$
- DFL has a significance value of $0.356 > 0.03$
- DCL has a significance value of $0.725 > 0.03$

Based on the coefficient results, it can be seen that the regression model in this study does not exhibit heteroscedasticity, as the significance value is greater than > 0.03 .

Table 5. Autocorrelation Test

Runs Test	
Unstandardized Residual	
Test Value ^a	.82661
Cases < Test Value	5
Cases $\geq$ Test Value	5
Total Cases	10
Number of Runs	2
Z	-2.348
Asymp. Sig. (2-tailed)	.019

a. Median

SPSS Output Source

Based on the results of the run test, it shows that the Asym.sig (2-tailed) value is 0.019, because the Asym.sig(2-tailed) value is <0.05, it can be concluded that there are no autocorrelation symptoms in the regression model.

Table 6. Linearity Test

Model Summary^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.853 ^a	.728	.511	2.74192

a. Predictors: (Constant), DFFIT, DCL, DFL, DOL

c. Dependent Variable: ROE

SPSS Output Source

The linearity test is conducted to determine whether there is a significant linear relationship between the dependent and independent variables in the regression model. To determine whether a linear relationship exists in the regression model, the Ramsey RESET Test method can be used. This method, often referred to as RESET (Regression Specification Error Test), was developed by J.B. Ramsey in 1969. This method is carried out by comparing the calculated F value with the F table. If the calculated F value < F table, it can be interpreted as indicating a linear relationship between the dependent and independent variables. Conversely, if the calculated F value > F table, it can be interpreted as indicating no linear relationship between the dependent and independent variables.

Based on the results in the SPSS results table, the following can be seen: R^2 old = 0.248; R^2 new = 0.728; the number of newly entered independent variables (m) is 1, namely DFF_1; the number of observations (n) = 10; the number of new equation parameters (K) is 4 (DOL, DFL, DCL, DFF_1).

$$F_{Hitung} = \frac{(R^2_{New} - R^2_{Old}) \div m}{(1 - R^2_{New}) \div n - k}$$

$$F_{Hitung} = \frac{(0,728 - 0,248) \div 1}{(1 - 0,728) \div (10 - 4)}$$

$$F_{Hitung} = \frac{0,48}{0,04533}$$

$$F_{Hitung} = 10,59$$

$$F_{Tabel} = 5,99$$

Table 7. Multiple Regression Analysis

Coefficients^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	16.175	2.117	7.639	.001		
	DOL	3.264	1.072	9.325	.029	.006	172.510
	DFL	1.624	1.260	.325	.254	.856	1.169
	DCL	-1.811	.632	-7.133	.035	.009	114.082
	DFFIT	.703	.236	3.898	.031	.032	31.605

a. Dependent Variable: ROE

Source: SPSS Output Results

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Based on data processing using SPSS version 20, the following regression equation is obtained:

$$Y = 16.175 + 3.264X_1 + 1.624X_2 + (-1.811X_3)$$

The interpretation of the above regression equation can be explained as follows:

- The constant (a) value of 16.175 indicates that if the Degree of Operational Leverage (DOL), Degree of Financial Leverage (DFL), and Degree of Combined Leverage (DCL) are equal to zero, then the Return on Equity (ROE) at PT Mayora Indah Tbk. is -16.175%.
- The regression coefficient (b_1) for Degree of Operational Leverage (X_1) is 3.264, with a positive correlation, indicating that for every 1% increase in Degree of Operational Leverage, Return on Equity (Y) will increase by 3.264%, assuming Degree of Financial Leverage (X_2) and Degree of Combined Leverage (X_3) remain constant. Conversely, for every 1% decrease in DOL, Return on Equity (Y) will decrease by 3.264%, assuming DFL (X_2) and DCL (X_3) remain constant.
- The regression coefficient (b_2) for DFL (X_2) is 1.624, with a positive correlation, indicating that for every 1% increase in DFL, Return on Equity (Y) will increase by 1.624%, assuming DOL (X_1) and DCL (X_3) remain constant. Conversely, for every 1% decrease in DFL, Return on Equity (Y) will decrease by 1.624%, assuming DOL (X_1) and DCL (X_3) remain constant.
- The regression coefficient (b_3) for DCL (X_3) is -1.811, with a positive correlation, indicating that for every one-fold increase in DCL, Return on Equity (Y) will decrease by 1.811%, assuming DOL (X_1) and DFL (X_2) remain constant. Conversely, for every one-fold decrease in DCL, Return on Equity (Y) will decrease by 1.811%, assuming DOL (X_1) and DFL (X_2) remain constant.

Table 8. Coefficient of Determination

Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.853 ^a	.728	.511	2.74192	1.959

a. Predictors: (Constant), DFFIT, DCL, DFL, DOL

b. Dependent Variable: ROE

Source: SPSS Output Results

The coefficient of determination is used to determine the extent to which independent variables influence the dependent variable. In this study, the coefficient of determination was used to determine the magnitude of the influence of DOL, DFL, and DCL on Return on Equity (ROE) at PT Mayora Indah Tbk. Based on the results of data processing using SPSS version 20, the summary table obtained an R-Square (R^2) value of 0.728, or 72.8%. This indicates that the percentage influence of DOL, DFL, and DCL on Return on Equity (ROE) is 72.8%, while the remaining 27.2% is influenced by other variables not examined by the author.

Table 9. F-Test

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	100.755	4	25.189	3.350	.109 ^b
	Residual	37.591	5	7.518		
	Total	138.345	9			

a. Dependent Variable: ROE

b. Predictors: (Constant), DFFIT, DCL, DFL, D

SPSS Output Source

Hypothesis testing is conducted to verify the tentative assumptions of a statement using statistical procedures. This allows statistical test results to be obtained to conclude whether the statement can be accepted or rejected. A regression model is considered feasible if all independent variables simultaneously influence the dependent variable. This test is based on the F-value found in the ANOVA table. If the F-value is <0.05 , the regression model is deemed feasible as a research model (H_0 is rejected and H_a is accepted).

The attached ANOVA results show that the F-value is $0.109 > \alpha = 0.05$. These results indicate that the regression model cannot be used, and the decision is to accept H_0 and reject H_a . This means that the Degree of Operating Leverage (DOL), Degree of Financial Leverage (DFL), Degree of Combined Leverage (DCL), and the additional variable DFFIT simultaneously do not significantly influence Return on Equity (ROE) at PT Mayora Indah Tbk.

Table 10. T-test

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error				Tolerance	VIF
1	(Constant)	16.175	2.117		7.639	.001		
	DOL	3.264	1.072	.9325	3.046	.029	.006	172.510
	DFL	1.624	1.260	.325	1.289	.254	.856	1.169
	DCL	-1.811	.632	-.7133	-2.865	.035	.009	114.082
	DFFIT	.703	.236	3.898	2.974	.031	.032	31.605

a. Dependent Variable: ROE

SPSS Output Source

The t-test is used to determine whether each independent variable partially influences the dependent variable. This test is based on the t-value in the Coefficients table. If the t-value is <0.05 , the independent variable has a significant partial effect on the dependent variable (H_0 is rejected and H_a is accepted).

1. Effect of Degree of Operating Leverage (DOL) on Return on Equity (ROE)

The t-test results show a calculated t value of 3.046 with a significance level of 0.029 (<0.05), indicating that DOL has a significant positive effect on ROE. This indicates that higher operating leverage (proportion of fixed costs) results in a greater increase in operating profit, thus increasing ROE. This finding supports the theory of Brigham & Houston (2021) and research by Wulandari (2022), which states that operational leverage has a significant effect on the profitability of manufacturing companies.

2. The Effect of Degree of Financial Leverage (DFL) on Return on Equity (ROE)

The T-test results showed a calculated t of 1.289 with a significance level of 0.254 (>0.05), indicating that DFL had no significant effect on ROE. This means that the use of interest-bearing debt in PT Mayora Indah Tbk's capital structure does not significantly impact return on equity. This is likely due to conservative debt management, resulting in fluctuations in interest expense not being large enough to impact net income. This result differs from the findings of Putra & Rahmawati (2021), who found a significant effect of DFL on ROE in the consumer sector.

3. The Effect of Degree of Combined Leverage (DCL) on Return on Equity (ROE)

The T-test results showed a calculated t of -2.865 with a significance level of 0.035 (<0.05). This result indicates that DCL has a significant but negative effect on ROE. This means that high combined leverage actually reduces return on equity. This can occur due to the high risk of accumulated fixed costs and interest expenses, resulting in potential profits not being able to cover these costs. This finding supports the opinion of Ghahderijani et al. (2025), who stated that companies with high DCL require cost adaptation strategies to avoid declining profitability.

4. Effect of DFFIT (Additional Variable) on Return on Equity (ROE)

The T-test results show a calculated t value of 2.974 with a significance level of 0.031 (<0.05), indicating that DFFIT has a significant positive effect on ROE. This indicates that additional factors in the model contribute to increasing ROE.

3.2 Discussion

Theoretically, the relationship between Degree of Operating Leverage (DOL) and Return on Equity (ROE) can be understood through DOL's role as an indicator of operating profit sensitivity to changes in sales. DOL indicates the extent to which earnings before interest and taxes (EBIT) will change due to fluctuations in sales levels. If a company's DOL is high, small changes in sales will result in larger changes in EBIT. This ultimately impacts the company's net profit. Increasing net profit will positively contribute to ROE, as ROE reflects the company's ability to generate profits from shareholder equity. Conversely, if sales decline, companies with a high DOL will also experience a more significant decline in EBIT, resulting in lower net profit and depressed ROE.

Degree of Financial Leverage (DFL) is a measure of the extent to which earnings per share (EPS) or net income can change due to changes in earnings before interest and taxes (EBIT). DFL arises when a company uses debt financing, which incurs fixed interest expenses. The higher the proportion of debt in the capital structure, the greater the company's interest expense. The relationship between DFL and Return on Equity (ROE) lies in the mechanism by which interest expense affects net income. When a company has a high DFL, any increase in EBIT will result in a greater increase in net income after deducting interest expense. This, in turn, will increase ROE, as ROE reflects the company's ability to generate net income on shareholders' equity. However, conversely, if EBIT decreases, companies with a high DFL will also experience a sharper decline in net income, thereby depressing ROE.

The relationship between DCL and Return on Equity (ROE) can be explained by the mechanism by which DCL influences net income. A high DCL value indicates that small changes in sales will result in larger changes in net income, after accounting for operating expenses and interest expense. This means that increased sales have the potential to generate a significant surge in net income, thereby increasing ROE, the ratio that reflects a company's ability to generate returns on shareholders' equity.

Degree of Operating Leverage (DOL), Degree of Financial Leverage (DFL), and Degree of Combined Leverage (DCL) are leverage concepts used to understand the sensitivity of earnings to changes in sales and a company's funding structure.

DOL, DFL, and DCL are directly related to ROE through their influence on net income. DOL influences ROE from an operational perspective, DFL influences ROE from a funding perspective, and DCL reflects a combination of the two. A high level of leverage has the potential to increase ROE when operating and sales conditions are favorable, but also poses the risk of a sharper decline in ROE when sales decline. Therefore, leveraging management is a crucial factor in maintaining the balance between profitability and risk, as reflected in ROE.

Based on the F-test results, the three independent variables simultaneously did not significantly influence ROE, with a significance value of 0.109 (>0.05). This means that although partially significant, when tested together, DOL, DFL, and DCL are not strong enough to explain variations in PT Mayora Indah Tbk's ROE. These results indicate that a company's ROE is more influenced by factors other than leverage, such as cost efficiency strategies, product diversification, marketing management, and macroeconomic conditions. Therefore, although leverage is an important factor in financial management, its effectiveness must still be viewed within the context of the company's overall strategy..

4. Conclusion

Based on the analysis and discussion regarding the effect of Degree of Operating Leverage (DOL), Degree of Financial Leverage (DFL), and Degree of Combined Leverage (DCL) on Return on Equity (ROE) at PT Mayora Indah Tbk for the period 2014–2023, the following conclusions can be drawn:

1. Effect of Degree of Operating Leverage (DOL) on ROE

The results show that DOL has a significant positive effect on ROE. This indicates that the higher the operating leverage, the greater the impact of increased sales on operating profit, ultimately increasing the company's profitability. This is in line with financial theory, which states that companies with high fixed costs are more sensitive to changes in sales. At PT Mayora Indah Tbk, well-managed operating leverage has been shown to support ROE growth.

2. Effect of Degree of Financial Leverage (DFL) on ROE

DFL does not significantly affect ROE. This means that the use of interest-bearing debt financing at PT Mayora Indah Tbk is not a major determinant of increasing return on equity. This indicates that the company is more cautious in managing its capital structure by keeping interest expenses under control. This conservative strategy makes the effect of DFL on ROE insignificant, although the direction of the effect remains positive.

3. Effect of Degree of Combined Leverage (DCL) on ROE

DCL has a significant, but negative, effect on ROE. This condition indicates that a combination of operational and financial leverage that is too high actually depresses the company's profitability. A high proportion of fixed costs and interest expenses can increase the risk of loss when sales do not grow optimally. Therefore, although DCL has the potential to increase profits, its negative impact is more dominant at PT. Mayora Indah Tbk.

4. Simultaneous Effect of DOL, DFL, and DCL on ROE

The results of the simultaneous test show that these three variables do not significantly affect ROE. This indicates that the company's financial performance, particularly ROE, is more influenced by factors other than leverage, such as production cost efficiency, marketing strategy, macroeconomic conditions, raw material prices, and company management policies. Therefore, leveraging management alone is not sufficient to explain variations in PT. Mayora Indah Tbk's profitability.

Therefore, the author offers the following recommendations:

1. For Company Management

Companies need to pay more attention to managing operational leverage (DOL), as it has been shown to have a significant positive effect on ROE. Optimizing fixed costs in balance with increasing sales can increase return on equity. Although DFL does not have a significant effect, management must still maintain a healthy capital structure policy by paying attention to the debt ratio to avoid excessive interest expenses. DCL management must be more careful, as a combination of excessively high operational and financial leverage has the potential to reduce profitability. Companies should balance the use of equity and borrowed capital. In addition to leverage, companies need to consider other factors such as operational efficiency, product diversification, and marketing strategy to maintain ROE stability and growth in the future.

2. For Investors

The results of this study can be considered when making investment decisions. Investors should consider the DOL and DCL ratios as important indicators in assessing the potential risks and returns of investments in PT Mayora Indah Tbk. Because DFL does not have a significant effect, investors should also analyze other external factors such as industry prospects, product competitiveness, and macroeconomic conditions before investing.

3. For Future Researchers

It is recommended to add other variables that could potentially influence ROE, such as company size, sales growth, asset turnover, and external global economic factors. The research object can be expanded to other companies in similar sectors or across sectors to obtain more general results. The research period can be extended to more clearly demonstrate the long-term trend in the relationship between leverage and ROE.

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