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The Effect of Profitability Ratio, Leverage, Company Size, and Audit Committee Gender Diversity on the Financial Performance of Sharia General Insurance Companies (2022-2024)

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Abstract: This study aims to analyze the effect of profitability ratios, leverage, firm size, and audit committee gender diversity on the financial performance of Islamic general insurance companies in Indonesia. Financial performance is proxied by Return on Equity (ROE), profitability is measured using Return on Assets (ROA), leverage is measured by the Debt to Equity Ratio (DER), firm size is measured using the natural logarithm of total assets, and audit committee gender diversity is measured by the proportion of female members on the audit committee. This study employs secondary data obtained from the annual financial reports of Islamic general insurance companies during the period 2022–2024. The analytical method used is multiple linear regression with a panel data approach. The partial test results indicate that profitability (ROA), leverage (DER), firm size, and audit committee gender diversity do not have a significant effect on financial performance (ROE). In addition, the simultaneous test results show that all independent variables collectively do not have a significant effect on the financial performance of Islamic general insurance companies. The low Adjusted R² value indicates that the research model is not able to explain variations in financial performance adequately. These findings suggest that the financial performance of Islamic general insurance companies during the study period is influenced by factors other than the variables examined, such as macroeconomic conditions, industry regulations, and internal managerial factors. Therefore, future research is recommended to use a longer observation period, increase the sample size, and include other more relevant variables to obtain more comprehensive results.

Keywords: Return on Assets (ROA), Debt to Equity Ratio (DER), firm size, and audit committee gender diversity on Return on Equity (ROE)

INTRODUCTION

Indonesia's economic growth has continued to increase, as reflected in the development of the Non-Bank Financial Industry (Industri Keuangan Non-Bank/IKNB), one of which is the insurance sector. The growing public awareness of the importance of protecting assets from

various unforeseen risks has been a key factor driving the rapid expansion of the insurance industry each year. Based on data from the Financial Services Authority (Otoritas Jasa Keuangan/OJK), the growth of domestic insurance companies plays a significant role in the process of national economic development. This is evidenced by the large amount of long-term funds accumulated by insurance companies, which are utilized by the government to finance development programs. Meanwhile, the services provided by insurance companies enable the public to obtain protection against various risks or unexpected losses (Fitrianty et al., 2022).

Islamic insurance in Indonesia has promising future prospects, supported by several factors. First, the majority of Indonesia's population is Muslim, and the increasing awareness of conducting business activities in accordance with Sharia principles encourages people to prefer Islamic insurance products. Second, economic growth accompanied by rising savings and the expansion of the middle-income class represents a favorable condition for the development of the insurance industry, particularly Sharia-based insurance. Furthermore, the Islamic insurance market in Indonesia remains relatively underdeveloped, offering substantial growth opportunities (Fardila, Astuti, & Ali, 2024).

A company's financial performance reflects management's ability to manage resources effectively and efficiently in order to generate profits and enhance firm value. One of the primary indicators commonly used to assess financial performance is the profitability ratio, as it demonstrates the company's capability to generate earnings from its assets or equity. A high level of profitability indicates that the company is able to manage its operations efficiently, thereby increasing the confidence of investors and other stakeholders (Kasmir, 2022).

In addition to profitability, a company's capital structure, as reflected by leverage ratios, also plays an important role in determining financial performance. Leverage indicates the extent to which a company utilizes debt to finance its operational activities. Appropriate use of leverage can improve company performance through the profit-enhancing leverage effect; however, excessive leverage may increase financial risk and threaten corporate stability (M. Yusril Aziz, Hendra Harmain, & Purnama Ramadani Silalahi, 2024).

Another factor influencing financial performance is firm size. Larger companies generally have broader access to financing sources, better product diversification, and stronger managerial and operational capabilities. In the context of Sharia general insurance, firm size may also reflect public trust and the company's long-term operational stability (Uyun, Nasution, & Setiawan, 2024).

Beyond financial factors and firm characteristics, corporate governance aspects—particularly the role of the audit committee—have become a significant concern. One issue that has increasingly attracted attention in corporate governance is gender diversity within audit committees. Gender diversity is believed to provide broader perspectives in decision-making processes, enhance the quality of supervision, and minimize risky managerial practices. In Sharia insurance companies, the effectiveness of audit committees supported by gender diversity is expected to strengthen transparency, accountability, and compliance with Sharia principles, ultimately improving financial performance (Gozali, Hamzah, & Listya, 2023).

Gender diversity among boards of commissioners and boards of directors has also been shown to positively influence company performance. In strategic decision-making, the board of commissioners has the responsibility to supervise the board of directors (Otoritas Jasa Keuangan, 2014). Upper echelons theory suggests that heterogeneity within top management can contribute to more competitive and effective organizational behavior. Gender diversity on the board of commissioners reflects the presence of both male and female members, which may enhance the quality of oversight and strategic decisions (Wijaya, 2024).

Based on a review of previous studies, the effects of profitability ratios, leverage, and firm size on financial performance remain inconclusive, as empirical findings show mixed results across different contexts and industries (M. Yusril Aziz et al., 2024). Moreover, most prior research has tended to focus primarily on internal financial aspects and has not comprehensively incorporated corporate governance dimensions, particularly gender diversity within audit committees, despite its importance in improving monitoring quality and decision-making processes. In addition, empirical studies examining the financial performance of Sharia general insurance companies are still relatively limited. Therefore, this study is important to provide more recent and contextual empirical evidence to address research gaps in the Sharia general insurance sector in Indonesia.

Hypothesis

Profitability reflects a company's ability to generate earnings from the assets and capital employed and is often positioned as an outcome of effective liquidity management and an optimal financing structure. Other studies on companies listed on the Indonesia Stock Exchange (IDX) have found that combining profitability ratios with liquidity and solvency ratios provides a more comprehensive picture of a firm's ability to sustain profit performance in the long term. Therefore, profitability can be understood as the result of adequate liquidity management and a balanced capital structure, while simultaneously serving as an indicator of the sustainability of financial performance (Safitri, Firayanti, & Wulansari, 2024).

Leverage, commonly referred to as solvency, can be measured using the Debt to Equity Ratio (DER). The higher the level of leverage owned by a company, the greater the risk it faces. According to Ayaz et al. (2019), a high level of debt usage increases financial performance risk; however, leverage may also have a positive effect on financial performance, as it can help organizations achieve their objectives more efficiently. Thus, leverage reflects a firm's ability to meet its long-term financial obligations and is commonly known as the financial leverage ratio, which indicates the proportion of debt that must be borne by the company's assets. Companies with high solvency ratios (large amounts of debt) may offer potential benefits, but they also face higher financial risk (Raihana, 2024; Zahran Radja Hadaya Cholifi, 2023).

Firm size, also referred to as business size, represents the scale of a company and its potential for growth through various channels. Firm size can be measured using indicators such as total assets, revenue, and market capitalization. As companies grow larger, the amount of information disclosed to investors also increases, which is essential for investment decision-making. Financial reporting serves as an important tool for disseminating firm-specific and social information, particularly as progressive companies diversify their operations and attract investors interested in corporate social initiatives (Ulya & Khabib, 2023).

Gender diversity within the audit committee constitutes an important corporate governance mechanism aimed at improving the quality of oversight and the transparency of financial reporting. Theoretically, gender diversity can enrich perspectives in decision-making processes and enhance monitoring effectiveness, which ultimately has the potential to improve corporate financial performance.

Gender diversity has increasingly become a prominent issue in the implementation of good corporate governance practices. Its indicators include diversity in the composition of boards of commissioners and boards of directors. In Indonesia, female leadership roles are still often considered socially sensitive or limited, including within corporate environments. This condition is evidenced by the findings of the *Women in Executive Leadership Teams (ELTs) in IDX200 Companies* survey, which examined 200 companies listed on the Indonesia Stock

Exchange with the largest market capitalization and trading activities during December 2021 to March 2022. The survey revealed that female representation in executive positions remains low, with only 41 IDX200 companies (21%) achieving gender balance in corporate leadership. This finding indicates that patriarchal culture remains deeply entrenched in Indonesia (Lutvyana & Rina Susanti, 2025).

Financial performance reflects a company's ability to manage its resources effectively in order to generate returns for shareholders. In financial research, Return on Equity (ROE) is frequently used as a key indicator of financial performance, as it measures the rate of return on capital invested by shareholders. A high ROE indicates that the company is able to utilize equity efficiently to generate profits, whereas a low ROE suggests limitations in the management of shareholders' capital.

In Sharia general insurance companies, ROE serves as an important performance indicator, as it reflects both the effectiveness of fund management and compliance with prudential principles. Therefore, various internal firm-specific factors are believed to play a significant role in influencing the level of ROE achieved by Islamic general insurance companies.

METHOD

This study employs a quantitative approach using a causal associative research design, aiming to analyze the effects of profitability ratios, leverage, firm size, and audit committee gender diversity on the financial performance of Sharia general insurance companies in Indonesia. The data used in this study are secondary data obtained from annual financial statements and corporate governance reports officially published by each company and the Financial Services Authority (Otoritas Jasa Keuangan/OJK).

The population of this study comprises all Sharia general insurance companies operating in Indonesia during the 2022–2024 period. Given the relatively limited and fully accessible population, this study applies a saturated sampling technique, in which all members of the population are included as research samples.

Data analysis is conducted using multiple linear regression analysis to examine the influence of independent variables on the dependent variable. Prior to hypothesis testing, classical assumption tests are performed, including tests for normality, multicollinearity, heteroskedasticity, and autocorrelation, to ensure that the regression model satisfies statistical requirements. Corporate financial performance is measured using Return on Assets (ROA), while profitability, leverage, firm size, and audit committee gender diversity are measured based on established indicators and measurement frameworks adopted from previous studies. Data processing and analysis are carried out using statistical software to ensure that the research results are objective and scientifically reliable.

RESULTS AND DISCUSSION

Dependent Variable: Y				
Method: Least Squares				
Date: 01/31/26 Time: 07:41				
Sample: 1 51				
Included observations: 51				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.110553	0.030305	3.647978	0.0007
X1	0.000827	0.004553	0.181613	0.8567
X2	0.000418	0.009398	0.044496	0.9647
X3	-0.048979	0.032031	-1.529107	0.1331
X4	-0.011621	0.032344	-0.359299	0.7210
R-squared	0.051169	Mean dependent var	0.083347	
Adjusted R-squared	-0.031338	S.D. dependent var	0.104165	
S.E. of regression	0.105784	Akaike info criterion	-1.561938	
Sum squared resid	0.514753	Schwarz criterion	-1.372543	
Log likelihood	44.82942	Hannan-Quinn criter.	-1.489565	
F-statistic	0.620177	Durbin-Watson stat	1.142046	
Prob(F-statistic)	0.650399			

The results of the partial hypothesis testing (t-test) indicate that variable X1 has a t-statistic value of 0.181 with a probability (significance) value of 0.8567, which is greater than 0.05. This result shows that partially, X1 does not have a significant effect on the dependent variable (Y).

Variable X2 has a t-statistic value of 0.044 with a probability value of 0.9647, which also exceeds the 0.05 significance level. Therefore, it can be concluded that X2 does not have a significant effect on Y.

Variable X3 has a t-statistic value of -1.529 with a probability value of 0.1331, which is higher than 0.05. This indicates that partially, X3 does not have a statistically significant effect on Y. The significance value above 0.05 suggests that the contribution of X3 to Y is statistically weak.

Variable X4 shows a t-statistic value of -0.359 with a probability value of 0.7210, which is also greater than 0.05. Thus, it can be concluded that X4 does not have a significant effect on Y.

Regression Equation

The multiple linear regression model obtained in this study is expressed as follows:

$$Y = 0.110553 + 0.000827 \cdot X1 + 0.000418 \cdot X2 - 0.048979 \cdot X3 - 0.011621 \cdot X4$$

Based on the results of the multiple regression analysis, the constant and regression coefficients for each independent variable (X1, X2, X3, and X4) indicate the direction and magnitude of their respective effects on the dependent variable (Y).

The constant value of 0.110 implies that if all independent variables (X1, X2, X3, and X4) are equal to zero or remain unchanged, the value of the dependent variable (Y) would be 0.110. This constant represents the baseline value of Y prior to the influence of the independent variables included in the model.

The regression coefficient of X1 is 0.000827, indicating a very small positive relationship between X1 and Y. This means that an increase of one unit in X1, holding other variables constant, would increase Y by 0.000827 units. However, since the probability value of X1 exceeds 0.05, this effect is not statistically significant and therefore cannot be considered a reliable basis for decision-making.

The regression coefficient of X2 is 0.000418 and is positive, indicating a direct relationship between X2 and Y. An increase of one unit in X2, assuming other independent variables remain constant, would increase Y by 0.000418 units, and vice versa. Although this coefficient suggests a potential positive contribution of X2 to Y, the effect is not statistically significant.

Meanwhile, the regression coefficient of X3 is -0.048979 , indicating a negative relationship between X3 and Y. An increase of one unit in X3 would result in a decrease in Y of 0.048979 units, assuming other variables are constant. Compared to X1 and X2, X3 exhibits a relatively larger magnitude of effect, although it remains statistically insignificant.

Overall, despite the direction and magnitude of the regression coefficients suggesting certain relationships between the independent and dependent variables, the t-test results indicate that none of the independent variables (X1, X2, X3, and X4) have a statistically significant effect on Y at the 5% significance level. Therefore, these relationships should be interpreted with caution and cannot be generalized without further analysis.

Simultaneous Test (F-Test)

Based on the results of the simultaneous test (F-test), the F-statistic value is 0.620 with a probability value of 0.650 . Since this probability exceeds the 0.05 significance level ($\alpha = 5\%$), the regression model is statistically insignificant. This indicates that all independent variables jointly do not have a significant effect on the dependent variable.

Thus, changes in the dependent variable cannot be adequately explained by the combination of independent variables included in this model. Consequently, the hypothesis stating that the independent variables simultaneously influence the dependent variable is rejected, indicating that the adjusted R^2 value is low and the model requires revision.

Coefficient of Determination Test

The adjusted R^2 value of -0.031 indicates that the regression model fails to explain the variation in the dependent variable (Y) and performs worse than a simple model based solely on the mean of Y. This negative value occurs because the number of independent variables is relatively large compared to the sample size, resulting in over-penalization in the adjusted coefficient of determination.

This finding is consistent with the results of the F-test (F-statistic = 0.620 , $p = 0.650 > 0.05$) and the t-tests (all variables are insignificant), which collectively suggest that the regression model is not suitable for explaining the relationship between the independent and dependent variables in this study. Therefore, it is recommended to revise the model by increasing the sample size, reducing the number of independent variables, or adopting alternative analytical approaches.

Effect of Profitability Ratio on Financial Performance

Based on the partial test (t-test), the profitability ratio (X1) has a probability value greater than the 5% significance level, indicating that profitability does not have a statistically significant effect on the financial performance of Sharia general insurance companies during the 2022–2024 period.

Although the positive regression coefficient suggests that higher profitability theoretically leads to improved financial performance, this effect is not sufficiently strong from a statistical perspective. This condition may be attributed to the characteristics of the Sharia insurance industry, which emphasizes the prudential principle, causing profits earned not to be immediately reflected in short-term financial performance.

This finding is consistent with the study by Safira Alvina, Nurodin, and Tanjung (2025), which states that profitability ratios do not always serve as dominant determinants of financial performance in Islamic financial service companies due to stronger managerial and regulatory influences.

Effect of Leverage on Financial Performance

The t-test results show that leverage (X2) has a probability value greater than 0.05, indicating that leverage does not have a significant effect on financial performance.

Although the positive coefficient suggests a direct relationship between leverage and financial performance, the relationship is not statistically significant. This implies that the use of debt-based financing has not been able to optimally improve financial performance. In the context of Islamic insurance, relatively stable funding structures and strict regulatory oversight limit the influence of leverage on financial performance.

This result supports the findings of Nadha Fadhilah (2023), who concluded that leverage does not significantly affect the financial performance of insurance companies, as firms tend to maintain financial risk within safe limits.

Effect of Firm Size on Financial Performance

The partial test results indicate that firm size (X3) has a negative regression coefficient and a probability value greater than 0.05. This suggests that firm size does not have a statistically significant effect on financial performance.

The negative coefficient implies that larger firms tend to exhibit lower financial performance, although the effect is insignificant. This condition may arise due to increased operational costs, managerial inefficiencies, and greater complexity in managing large-scale companies, particularly within the developing Islamic insurance industry.

This finding is in line with the study by Septiawati (2019), which states that firm size does not always significantly affect financial performance, especially when asset growth is not accompanied by improvements in operational efficiency.

Effect of Audit Committee Gender Diversity on Financial Performance

The t-test results show that audit committee gender diversity (X4) has a probability value greater than 0.05. Therefore, audit committee gender diversity does not have a statistically significant effect on financial performance.

The negative regression coefficient indicates that an increase in female representation on the audit committee has not yet produced a measurable impact on financial performance. This may be due to the audit committee's role being primarily focused on supervision and compliance, resulting in an indirect and longer-term influence on financial outcomes.

This finding is consistent with the study by Trianto and Anggraini (2025), which suggests that gender diversity in corporate governance structures does not always significantly affect financial performance, particularly in highly regulated financial service companies.

Overall Discussion

Overall, the findings indicate that profitability, leverage, firm size, and audit committee gender diversity do not have a significant effect on the financial performance of Sharia general insurance companies during the 2022–2024 period. This suggests that financial performance in Islamic insurance companies is more strongly influenced by other factors beyond the variables examined in this study, such as regulatory policies, macroeconomic conditions, and internal managerial factors.

CONCLUSION

This study aims to analyze the effects of profitability ratios (ROA), leverage (DER), firm size, and audit committee gender diversity on the financial performance (ROE) of Sharia general insurance companies in Indonesia during the 2022–2024 period. The results indicate that, both partially and simultaneously, all independent variables do not have a statistically significant effect on financial performance. These findings suggest that the financial performance of Sharia general insurance companies during the study period cannot be strongly explained by the internal factors examined in this research, but is more likely influenced by other factors outside the model, such as macroeconomic conditions, regulatory policies, and internal managerial factors.

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