

THE EFFECT OF INFLATION RATE, COMPANY SIZE, AND PRICE EARNING RATIO ON EARNINGS GROWTH ON THE MANUFACTURING COMPANIES IN INDONESIA

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ABSTRACT

Earnings growth variability in manufacturing firms remains a critical issue for financial analysts and stakeholders in Indonesia. This study aims to analyze the effect of inflation rate, company size, and price earning ratio (PER) on earnings growth among manufacturing companies listed on the Indonesia Stock Exchange (IDX). Employing a quantitative approach, the study uses secondary data collected from IDX and applies panel data regression analysis through Stata to assess the relationships between the independent variables—inflation rate, company size, and PER—and the dependent variable, earnings growth. The results show that the inflation rate has a statistically significant impact on earnings growth, emphasizing the influential role of macroeconomic conditions on corporate performance. Conversely, company size and price earning ratio were found to have no significant effect on earnings growth in the observed manufacturing firms. These findings highlight the importance of considering external economic factors, such as inflation, over internal financial metrics when evaluating a firm's growth potential. The study contributes theoretically by strengthening the understanding of macroeconomic influence on company-level financial outcomes and offers practical implications for investors, policymakers, and corporate managers in developing strategies to mitigate the risks posed by inflation. Future research could extend this work by including a broader set of financial indicators or exploring industry-specific dynamics within the manufacturing sector.

Keywords: Earnings Growth, Inflation Rate, Company Size, Price Earning Ratio