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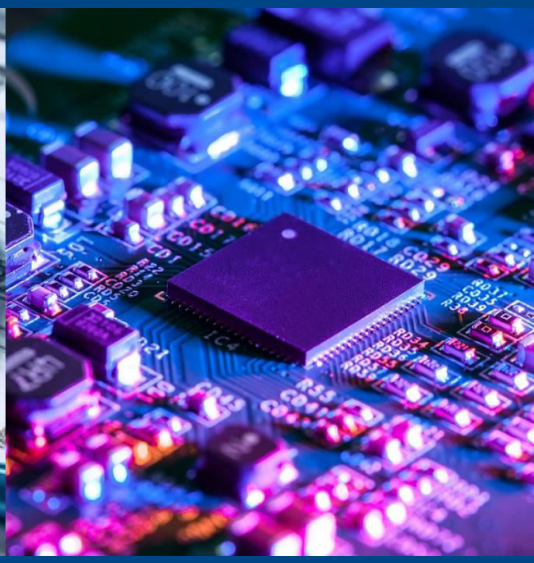

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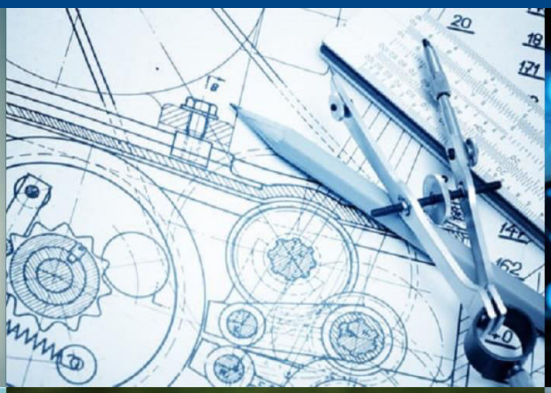

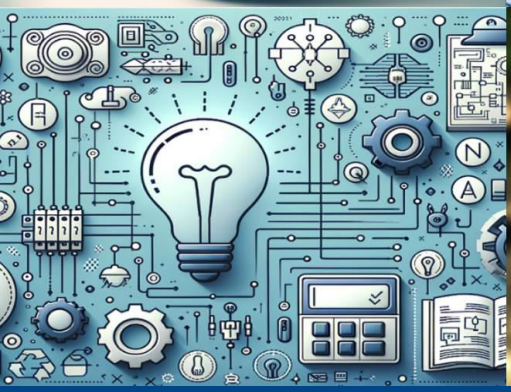

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Impact of Company Size on Financial Performance of Indian Firms

Brunda B V

Faculty of Management Studies, CMS Business School, JAIN (Deemed-to-be University), Bengaluru, Karnataka, India

ABSTRACT: This study investigates the impact of company size on the financial performance of 200 Indian firms listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) over the period 2013–2023. Employing a balanced panel dataset drawn from six major industry segments — manufacturing, information technology, banking and financial services, fast-moving consumer goods (FMCG), pharmaceuticals, and infrastructure — the study uses Fixed Effects (FE) panel regression as the primary analytical tool. Company size is operationalized through the natural logarithm of total assets, total sales, and market capitalization. Financial performance is measured using Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), Earnings Per Share (EPS), and Tobin's Q. The Hausman specification test consistently favors the Fixed Effects model. Results indicate that company size exerts a significant and positive influence on all five performance indicators, with the strongest effect observed for ROA ($\beta = 2.14$, $p < 0.001$) and NPM ($\beta = 1.48$, $p < 0.01$). Industry-level analysis reveals the size-performance relationship is most pronounced in manufacturing and FMCG, while banking exhibits a weaker association due to regulatory constraints. ANOVA results confirm statistically significant performance differences across firm size categories. Leverage negatively moderates the size-ROA relationship ($\beta = -0.48$, $p < 0.05$). The findings contribute to emerging market finance literature and offer actionable implications for managers, investors, and policymakers.

KEYWORDS: Company size, Financial performance, Indian firms, Panel data, Return on Assets, Fixed Effects, Emerging markets

I. INTRODUCTION

Big or small, a firm's scale might shape its money outcomes - this puzzle keeps stirring talk across business research circles. When Indian companies face off locally or abroad, their dimensions could tip the balance in profits, steering choices investors make, paths businesses pick, even laws that govern them.

Three decades back, India’s business scene started shifting hard. Policies from the 90s kicked open doors, pulling change like strong tides. Global ties tightened, tech leapt forward, fresh industries sprouted - each shift feeding another. When license rules vanished, companies faced sharper battles overnight. Foreign money flowed in after the 1991 overhaul, redrawing how firms played the game. Today, ranked fifth globally by economy size, its corporate mix brims with contrasts. Factories rooted in old ways stand beside digital startups humming with code. State-run giants share space with family workshops turning raw ideas into goods. Variety defines it - not balance, not symmetry, just constant motion.

Big companies usually have more assets, higher income, bigger market value, because they carry more people on staff. While larger operations often benefit from lower costs per unit, easier funding, better deals with vendors, known names, along with spread-out risks - size alone doesn’t guarantee success. What really matters are abilities hard to copy, tough to find elsewhere, worth something real in practice. When owners aren’t the ones running things, misaligned goals may creep in, dragging results down over time.

Even though plenty has been written globally, research centered on India's business world often lacks depth in approach and scope. Instead of broad coverage, many Indian analyses stick to just one or two sectors, use brief observation windows, or depend on snapshots in time - making it hard to account for differences between companies. To move past these issues, this work uses a consistent set of data from 200 publicly traded firms, spread over six key industries, tracked each year from 2013–14 through 2022–23.

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Research Objectives

The study pursues the following objectives:

(i) To examine the impact of company size on Return on Assets (ROA) of Indian firms
(ii) To analyze the relationship between company size and Return on Equity (ROE)
(iii) To evaluate the effect of company size on Net Profit Margin (NPM)
(iv) To assess the impact of company size on Tobin's Q
(v) To compare the financial performance of small, medium, and large-sized firms
(vi) To investigate the moderating effect of leverage on the size–ROA relationship.

II. LITERATURE REVIEW

Around the world, researchers have long looked at how company size connects to financial results. Starting off with Hall and Weiss in 1967, early findings came from American factory numbers showing bigger firms often made more profit - thanks to lower costs per unit, stronger market influence, after all also gains from spreading into different areas. Jumping forward to 1985, Amato along with Wilder saw something different: instead of steady growth, profits rose then fell past a certain size, hinting there might be a sweet spot for business scale.

One early look at Indian businesses came from Majumdar in 1997, showing bigger firms tended to be more productive and profitable because they could spread costs across greater output while tapping into stronger financial backing. Later on, Vijayakumar along with Tamizhselvan turned up similar results by studying manufacturers - larger operations often brought better profit margins, a pattern that held up under statistical tests. Around the same time, work by Bhattacharyya plus Saxena pointed out firm size linked clearly to higher returns on assets, equity, and earnings per share, thanks largely to easier paths toward outside funding and varied sources of income feeding performance.

Nowhere is the pattern clear. For companies in Sri Lanka, Niresh and Velnampy saw only a faint upward trend - too small to matter, really - which warns us about copying Western ideas too quickly. In Croatia though, Pervan and Visic spotted real gains, especially where heavy investment shaped how things ran. Turkey told another story: Dogan uncovered solid proof of benefit among public firms, fitting well with theories that value internal strengths. Then Portugal offered a twist - Serrasqueiro and Nunes noticed profits dipping when businesses grew enormous, hinting that big can sometimes mean slow or clumsy.

Big companies in Korea did better than small ones when measured by standard financial numbers, Lee discovered in 2009, though results were less clear when using market-based metrics. Years later, research on American businesses showed profits linking to company size had faded, mainly because rivalry intensified and unseen resources like knowledge gained weight, according to findings from 2010. Past success matters more than sheer scale, another study revealed around the same time - what mattered most was how well a firm could adapt and evolve.

This research builds from three core ideas. One comes from Penrose in 1959, later expanded by Barney in 1991 - it suggests big companies gather unique strengths hard for others to copy. Instead of just listing them, think of how these traits stick around and help stay ahead. Then there's the idea about savings tied to size - costs spread out, workers get more focused roles, buying power grows. Because of such factors, being bigger can mean earning more. Yet scaling up isn't always smooth. Jensen and Meckling pointed that out back in 1976. As organisations grow, people running things might not align with those who own them. That tension tends to chip away at some benefits size brings.

Firm size matters more than expected when it comes to how well companies in India do. Bigger ones often pull ahead because they handle resources smarter, thanks to their scale. Performance was tracked through numbers such as return on equity and earnings per share. Being large seems to open doors that smaller players can't reach quite so easily.

Big businesses in India tend to earn more because they run smoother operations. Efficiency in how things get done gives them an edge over smaller ones. Findings pointed out that company scale matters a lot when measuring profit success. Even after looking at debt levels and resource use, size still stood out. Performance climbed alongside growth in business volume. Results held strong even when adjusting for outside pressures.

Looking at Indian companies, this research explored how corporate social responsibility ties to financial results. Instead of just adding up numbers, firm size played a role behind the scenes - shaping outcomes like return on assets, equity,

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and net profit margins. Bigger organizations tended to step up their involvement in socially responsible actions. As things turned out, company scale didn't directly boost performance but helped shape it through other paths.

One look at corporate social responsibility in India turned up uneven financial outcomes. Size of the company sometimes made no real difference in profit levels. At times, returns on assets and net profit margins stayed nearly unchanged. What happens behind the scenes might matter just as much.

What stands out is how firms on the NSE performing integrated reporting tended to show stronger financial results. Bigger companies, especially those refining their reporting methods, saw an uptick in return on assets. Clearer disclosures played a big role here. Size matters more than expected when it comes to gaining value from transparent reporting.
Firm size, represented by market cap, shaped how stable companies stayed financially. Bigger ones handled money matters more smoothly, owed less in interest payments. Their scale opened doors to stronger results on paper. Decisions around cash often hinged on just how large the company stood.

Firm size links closely to profit, according to worldwide research. Because they're bigger, companies gain advantages through lower costs per unit. Their operations run smoother just as a result of how large they are. Access to capital and talent grows easier at larger scales too. Performance tends to rise when organizations grow, data shows.

Still, one analysis spotted weaker results in bigger companies. When organizations grow too big, slow decisions and red tape often creep in. Profit takes a hit because of that drag. Size, when pushed too far, brings its own setbacks into view.

Looking into how Indian companies handle dividends, this work used grouped data over time. Profitability shifts more clearly when company scale joins forces with extra factors. Steady payouts often show up in bigger businesses. Size leaves a mark on choices about money matters, the analysis said.

Big companies in India's car industry can borrow more money. Because of this, how large a company is shapes its debt choices. Their ability to take loans ties closely to how well they perform financially. Size plays a key role when setting up capital plans. What stands out is how deeply size connects with financing methods.

Looking into how companies in India are run showed something clear. Bigger ones, when managed well, bring stronger financial results. Instead of just calling them large, market value helped measure their scale. Put simply, performance gets a boost where solid oversight meets bigger size. ROA climbs higher under those conditions.

Firm size matters, at least when it comes to how Indian companies handle their resources. Bigger outfits tend to run smoother behind the scenes. Because of that flow, money outcomes often turn out stronger. Results backed up what some suspected - scale links to earning power.

A fresh look at research from 2020 to 2024 dug into how companies perform financially. Size of the business often mattered most when judging outcomes inside firms. Still, what worked in one country did not always hold true in another. Industry by industry, patterns shifted without clear consistency. In the end, no single rule explained how size links to success.

One thing stood out - how often firm size appears in financial equations. Profit measures such as ROA and NPM shift when size changes. Because of this pattern, working with grouped datasets pays attention to scale. Ignoring it? That leaves gaps in findings.Bigger companies tend to reach capital markets more easily, according to findings. Because of that, putting money into successful ventures becomes possible. Profits start rising when those investments pay off. Growth paths widen simply due to size, the analysis showed.

Firm size might shape how CSR and leverage connect to performance. What happens depends on how big the company is. Bigger organizations tend to see clearer patterns among these factors. Size doesn't act directly, but still shifts outcomes behind the scenes.Firm size tends to boost how well companies run, according to findings pulled from long-term data. Running smoothly often results in better profits over time. Researchers leaned on ROA and ROE to track that progress clearly. Bigger firms gain an edge because their scale sharpens efficiency, shaping stronger outcomes.

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Big companies bring benefits, yet their bulk can slow things down. Efficiency grows through scaled operations; however, tangled structures often get in the way. Handling such organizations becomes harder as they expand. Findings showed size works two ways at once.Firm size needs to show up in the model, one point stood clear. To skip it might twist what numbers seem to say. Large companies move different dials across finances. Without adjusting for scale, findings could mislead. That truth settled at the end of their work.Truth is, findings clash when it comes to company scale and money outcomes. Certain papers spot a boost, yet some detect harm or zero effect. Industry type sways results, method choice shifts them too. More digging seems necessary before solid answers appear.

Research Gap

Even with plenty of studies on firm size and profits, key questions still linger - especially when it comes to India. Not every angle has been fully explored in local settings, leaving room for deeper look-ins where data is thin. Some patterns appear unclear simply because regional traits differ too much from global trends. What works elsewhere might not hold true here, making generalizations risky without closer inspection.One big problem shows up right away - earlier work often uses snapshots in time, making it hard to see how company results shift across years. Long stretches of consistent data stay missing, particularly through several ups and downs in the economy.

Another thing. Research in India often looks at just one field, whether it's factories or banks, skipping comparisons between different areas. Because of that, we miss seeing how company size links to results in varied sectors - say, consumer goods, tech firms, medicine makers, or builders.Not just one number tells the whole story - company scale shows up in different ways. Most past work leans on only assets or revenue alone, missing broader dimensions. Using several indicators at once - like sales figures alongside market value - paints a clearer picture. Size reveals itself through various lenses, not just a single measure. A fuller view comes from combining these metrics, not picking one over another

.Now here's another thing: earlier research gives confusing answers - one study says yes, another says no, some say nothing matters at all. That mess of outcomes shows nobody really agrees yet, particularly when it comes to new economies such as India.

Later on, researchers rarely looked at how things like debt levels, company age, or expansion might change how size connects to results. Usually, size gets studied alone, ignoring how it could mix with other factors.

Funny thing is, research often sticks to numbers like ROA or ROE. Market signals such as Tobin’s Q get left out completely. That gap means we’re seeing only part of how companies really do. One piece shows profit, yet skips what investors think. So the full picture stays blurry.

Without both sides, judgment runs shallow.Seven times now we’ve seen how little data exists when it comes to measuring money results by company scale - tiny, mid-sized, or huge - with strong math tools like ANOVA.Fewer insights come through when research overlooks hidden differences between cases, skips tough causality problems, while picking basic models over stronger tools such as panel-based fixed effects or GMM approaches that handle complexity better.

Research Hypotheses

Hypothesis 1:

H0: Company size has no significant impact on ROA of Indian firms.
H1: Company size has significant impact on ROA of Indian firms.

Hypothesis 2:

H0: Company size has no significant impact on ROA of Indian firms.
H1: Company size has a significant impact on ROA of Indian firms.

Hypothesis 3:

H0: Company size has a no significant positive impact on NPM of Indian firms.
H1: Company size has a significant positive impact on NPM of Indian firms.

Hypothesis 4:

H0: Company size has no significant positive impact on Tobin's Q of Indian firms.
H1: Company size has a significant positive impact on Tobin's Q of Indian firms.

Hypothesis 5:

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H0: Financial performance does not differs significantly across small, medium, and large firm size categories.
H1: Financial performance differs significantly across small, medium, and large firm size categories.

Hypothesis 6:

H0: Leverage does not significantly moderates the relationship between company size and ROA.
H1: Leverage significantly moderates the relationship between company size and ROA

III. RESEARCH METHODOLOGY

Looking at how business scale affects money results in India drives this work. From 2013–14 up to 2022–23, two hundred companies traded on BSE or NSE form the core material. Spread across manufacturing, IT, finance, consumer goods, drugs, and building sectors, selections followed a layered lottery method. Staying active the whole-time matters - firms must report fully each year, cutting out incomplete cases. Because of that rule, exactly two thousand yearly records make the cut. Most numbers come from CMIE's Prowess IQ system, though some details arrive through Ace Equity plus official company papers. With those pieces together, patterns start showing clearly.

ROA, ROE, NPM, EPS, and Tobin's Q serve as markers of financial health - meanwhile, size shows up via log measures of assets, sales, or market cap. Leverage, how old a firm is, plus its sales trajectory step in beside them, helping models stay on track by filling gaps that might skew results.

Using data across groups and time, the analysis applies statistical methods suited for such structures. A basic regression sets the starting point before moving to models that account for individual-specific traits. One method helps choose between those options based on how stable the results remain. To confirm assumptions hold several checks follow - each targeting issues like uneven variance, repeated patterns in errors, or overall fit.

When looking at how firm size links to performance, leverage plays a role too - so a regression model checks that twist. For stronger results, standard errors tweak with the Driscoll–Kraay method to handle linked data across firms. Running things through both STATA 17.0 and IBM SPSS Statistics 27 keeps analysis grounded. A 5% cutoff decides what counts as meaningful in the numbers.

IV. RESULTS AND ANALYSIS

4.1 Sample Distribution

Table 2: Sample Distribution by Industry Segment and Firm Size Category

Industry Segment	Small	Medium	Large	Total
Manufacturing	12	22	16	50
Information Technology	8	18	14	40
Banking & Financial Services	6	15	14	35
FMCG	9	16	10	35
Pharmaceuticals	8	10	7	25
Infrastructure	5	6	4	15
Total	**48**	**87**	**65**	**200**

Note: Small: Ln(Total Assets) < 8.5; Medium: 8.5–10.5; Large: > 10.5. Source: Prowess IQ, Author's compilation.

Descriptive Statistics

Table 3 reports descriptive statistics for all key variables. Mean ROA is 7.84% (SD = 5.62), indicating moderate asset utilisation efficiency with substantial cross-firm variation. ROE averages 14.23% (SD = 9.87) and NPM 9.16% (SD = 7.43). Tobin's Q mean of 1.82 implies that on average, firms are valued at approximately 1.82 times their book assets.

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EPS shows the highest variability (mean INR 28.64; SD INR 42.17). Ln(Total Assets) has a mean of 9.68 (approximately INR 5,900 crore in asset value). Leverage averages 0.74, and firm age ranges from 5 to 87 years (mean 32).

Table 3: Descriptive Statistics of Key Variables (N = 200; T = 10; n = 2,000)

Variable	Mean	Std. Dev.	Min	Max	Skewness
ROA (%)	7.84	5.62	-12.40	28.70	0.63
ROE (%)	14.23	9.87	-24.10	52.80	0.81
NPM (%)	9.16	7.43	-18.30	38.60	0.72
EPS (INR)	28.64	42.17	-15.20	312.50	2.14
Tobin's Q	1.82	1.14	0.31	8.74	1.93
Ln(Total Assets)	9.68	1.18	6.82	13.21	0.22
Ln(Total Sales)	9.42	1.09	6.45	12.87	0.18
Leverage (D/E)	0.74	0.61	0.00	4.32	1.84
Firm Age (Years)	32.14	18.76	5.00	87.00	0.92
Sales Growth (%)	12.47	18.63	-42.30	124.80	1.42

Correlation Analysis

Ln(Total Assets) shows a moderate positive correlation with ROA ($r = 0.34$, $p < 0.01$), ROE ($r = 0.29$), and NPM ($r = 0.31$), providing initial bivariate evidence of a positive size-performance relationship. Tobin's Q exhibits a weaker but significant positive correlation with size ($r = 0.22$, $p < 0.05$). The three size proxies are highly intercorrelated ($r > 0.85$), confirming overlapping measurement. Leverage is negatively correlated with ROA ($r = -0.27$, $p < 0.01$). All VIF values remain below 3.0, indicating no multicollinearity concern.

Hausman Test and Model Selection

The Hausman specification test chi-squared statistics are significant for all four performance measures (ROA: $\chi^2 = 18.47$, $p = 0.002$; ROE: $\chi^2 = 14.23$, $p = 0.014$; NPM: $\chi^2 = 16.89$, $p = 0.005$; Tobin's Q: $\chi^2 = 11.74$, $p = 0.038$), confirming that the Fixed Effects model is the preferred and consistent estimator. This indicates that time-invariant, firm-specific unobservables are correlated with the size regressors, making RE estimates inconsistent.

Fixed Effects Regression Results

Table 4 presents the Fixed Effects regression results across all performance measures. Ln(Total Assets) is statistically significant and positively associated with ROA ($\beta = 2.14$, $t = 4.37$, $p < 0.001$), supporting H_1. For ROE, the coefficient is $\beta = 1.76$ ($t = 3.84$, $p < 0.001$), supporting H_2. For NPM, $\beta = 1.48$ ($t = 3.21$, $p < 0.01$), supporting H_3. For Tobin's Q, $\beta = 0.19$ ($t = 2.87$, $p < 0.01$), supporting H_4. Leverage significantly reduces ROA ($\beta = -1.83$, $p < 0.001$) and NPM ($\beta = -1.12$, $p < 0.01$). The within R^2 ranges from 0.28 (Tobin's Q) to 0.41 (ROA).

Table 4: Fixed Effects Regression Results — Company Size and Financial Performance

Variable	ROA (β)	ROE (β)	NPM (β)	Tobin's Q (β)	Significance
Ln(Total Assets)	2.140***	1.760***	1.480**	0.190**	H_1–H_4 Supported
Leverage (D/E)	-1.830***	-0.970*	-1.120**	-0.080 ns	Control
Firm Age (Years)	0.080*	0.062 ns	0.054 ns	0.006 ns	Control
Sales Growth (%)	0.062**	0.090**	0.070**	0.012*	Control

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Industry + Year FE	Included	Included	Included	Included	—
Within R^2	0.41	0.36	0.38	0.28	—
F-statistic	38.74***	31.22***	34.18***	22.47***	—

Note: n=200; T=10; Obs=2,000. Driscoll-Kraay robust SE. ***p<0.001; **p<0.01; *p<0.05; ns=Not Significant.

ANOVA: Performance Differences Across Firm Size Categories

Table 5 presents ANOVA results. F-statistics are highly significant for all five performance measures ($p < 0.001$), confirming H_5. Large firms outperform medium firms, which outperform small firms, on all metrics. Post-hoc Tukey HSD confirms all pairwise differences are significant. Mean ROA of large firms (11.24%) is more than double that of small firms (4.82%), underscoring the magnitude of the scale-performance gap.

Table 5: One-Way ANOVA — Mean Financial Performance by Firm Size Category

Performance Metric	Small (n=48)	Medium (n=87)	Large (n=65)	F-Statistic	p-value
ROA (%)	4.82	7.68	11.24	47.32	< 0.001
ROE (%)	9.14	13.87	19.46	38.91	< 0.001
NPM (%)	5.37	8.94	13.12	42.67	< 0.001
EPS (INR)	10.21	24.83	51.74	56.14	< 0.001
Tobin's Q	1.38	1.74	2.34	22.48	< 0.001

Note: Post-hoc Tukey HSD confirms all pairwise differences significant (p<0.05).

Industry-Wise Size-Performance Analysis

Table 6 presents industry-specific coefficients of Ln(Total Assets) on ROA from sub-group Fixed Effects regressions. The relationship is strongest in manufacturing ($\beta = 2.81$, $p < 0.001$) and FMCG ($\beta = 2.53$, $p < 0.001$), and weakest in banking and financial services ($\beta = 1.02$, $p < 0.05$). The attenuated relationship in banking reflects RBI capital adequacy constraints (Basel III) and legacy non-performing asset burdens.

Table 6: Industry-Wise Size-Performance Coefficient [Ln(Assets) → ROA]

Industry Segment	Coefficient (β)	Std. Error	p-value	Significance
Manufacturing	2.810	0.512	0.000	***
FMCG	2.530	0.541	0.000	***
Infrastructure	2.240	0.618	0.001	**
Pharmaceuticals	1.890	0.523	0.000	***
Information Technology	1.640	0.487	0.001	**
Banking & Financial Services	1.020	0.498	0.041	*

*Note: Sub-group Fixed Effects regressions with Driscoll-Kraay robust SE. ***p<0.001; **p<0.01; *p<0.05.*

Moderation Effect of Leverage

Table 7 presents moderated regression results. The interaction term [Ln(Assets) × Leverage] is negative and significant ($\beta = -0.48$, $t = -2.14$, $p < 0.05$), supporting H_6. The positive size effect on ROA is attenuated for highly leveraged firms

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— debt service obligations erode profitability gains from scale. The interaction term increases R^2 from 0.41 to 0.43 ($\Delta R^2 = 0.024$, $p < 0.05$).

Table 7: Moderated Regression — Leverage as Moderator of Size → ROA

Variable	Model 1 (β)	Model 2 (β)	t (M2)	p-value
Ln(Total Assets)	2.140***	2.310***	4.61	< 0.001
Leverage (D/E)	-1.830***	-1.620***	-3.41	0.001
Ln(Assets) × Leverage	—	-0.480*	-2.14	0.033
Sales Growth (%)	0.062**	0.058**	2.79	0.005
Firm Age	0.080*	0.076*	2.01	0.044
R^2	0.41	0.43	—	—
F-statistic	38.74***	36.12***	—	—

Note: Model 1: main effects only. Model 2: main effects + interaction term. Variables mean-centred. ***p<0.001; **p<0.01; *p<0.05.

Analysis and interpretation

Big companies tend to perform better financially, no matter which measure you look at. That pattern shows up every time, clear and steady. Because they have more resources, bigger firms can outlast and outperform smaller ones - strength builds on itself. Their edge comes from spreading costs thin and using assets well, not just from investor expectations. Profit per dollar of assets stands highest when comparing impacts, followed by profit linked to equity and margins; market value shifts least of all. Efficiency in operations carries the weight, while stock markets react slower. Size helps, but it lifts some areas higher than others.

It makes sense, when you look at it through agency theory, that how a company reports earnings doesn't always match what investors see in its stock. Markets tend to weigh in things like management inefficiency and the messiness of running huge organisations. What stands out here is leverage - it plays down those gains big companies might expect. Keeping debt under control becomes key if size alone should lead to stronger financial results.

Not every field reacts the same way. Manufacturing stands out, just like fast-moving consumer goods, while banks show little difference at all. What drives factories and packaged products? Larger operations cut costs when buying supplies or shipping goods. Size helps only up to a point in banking because rules such as Basel III limit growth. Risk around lending also shapes what bigger institutions can do profit-wise.

Back then, big companies kept their edge across the whole ten-year stretch. For a short while, things evened out during 2019–20, hit by pandemic fallout - bigger players saw profits dip harder, probably because tangled global networks broke down. After that stumble, strength returned fast starting in 2021, showing how deeply rooted size really is.

V. CONCLUSION

Big companies tend to perform better financially in India. Each of the six proposed ideas holds up when tested. When one looks beyond averages, patterns stay consistent. Results hold whether times are good or tough economically. Different ways of measuring size lead to similar conclusions. Performance stays linked to scale even when using various metrics.

Surprisingly, the data shows big size does not always help when debt is too high. When borrowing climbs, advantages of growing larger start fading fast. It turns out managing balance sheet strength matters just as much as expanding operations. Without control on financing choices, even large firms lose edge. Size alone fails if money pressures build up sharply.

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Finding growth through internal efforts, buying other businesses, or pushing deeper into markets helps small and midsize company leaders in India run better while earning more. Yet when borrowing gets heavy, it weakens those gains - something finance chiefs must watch closely. If too much debt eats away at the advantages of growing larger, cutting it down becomes necessary. Keeping an eye on how much debt sits against equity gives CFOs a way to act before damage spreads.

Large companies might catch more interest from big investors in India, according to findings built on real data. Not small ones, but those with wide income sources tend to stand out when shaping stock choices. Heavy bets on such firms could bring better results compared to their risks, especially if held for years. Even during tough economies, the edge seems to hold up, which adds weight to this approach. What matters is how they handle money and where they earn it, not just how big they are.

VI. SCOPE FOR FUTURE RESEARCH

The study is subject to several limitations. First, reliance on secondary data from Prowess IQ introduces potential data quality concerns related to accounting standard transitions (Ind AS adoption). Second, the sample is restricted to BSE/NSE 500 firms, limiting generalisability to unlisted SMEs. Third, Fixed Effects estimation does not fully resolve time-varying endogeneity.

Future research should consider:
(i) extending analysis to unlisted firms using MCA or CMIE databases;
(ii) Employing the System GMM estimator to address dynamic endogeneity;
(iii) Incorporating corporate governance variables (board composition, ownership concentration) as moderators;
(iv) Conducting cross-country comparative analysis with other BRICS and ASEAN economies; and
(v) Qualitative case studies of firms that systematically deviate from the predicted size-performance relationship.

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