JOURNAL OF SOCIAL SCIENCE
Printed ISSN: 2720-9938
Electronic ISSN: 2721-5202
jsss.co.id

Determinants of Financial Performance with Company Size as A Moderation Variable

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ARTICLE INFO

Date received: January 2, 2023
Date revised: February 10, 2023
Date accepted: 24 March 2023

Keywords:
Liquidity, leverage, efficiency, profitability, company size, financial performance

ABSTRACT

This is a study of factors that influence profitability and financial performance with moderation of company size to the relationship between profitability and financial performance in government companies in the field of survey business in Indonesia. The study concentrates on the financial management of state-owned enterprises within their operations. The purpose of this study is to determine and analyze the effect of liquidity, leverage and efficiency on profitability and financial performance, as well as the role of moderation of company size on the relationship between profitability and financial performance. Data acquisition through primary data on all branches of the company in the last 11 years so that 143 panel data were obtained as material for further analysis. The analysis model was conducted with the support of SEM PLS and found that liquidity has a negative and significant effect on profitability and financial performance. Leverage and efficiency have a significant effect on profitability. Liquidity, leverage and efficiency negatively and significantly affect financial performance. Profitability and company size have a positive and significant effect on financial performance. The size of the company moderates the relationship between profitability and financial performance.

INTRODUCTION

In the Financial Accounting Standard Boards (FASB) Statement of Financial Accounting Concept No.1, it is stated that the main objective of financial reporting is information about the company's achievements presented through profit measurement and its components. Corporate profits are necessary for the sake of the company's survival and the company's inability to earn profits will lead to the company's exclusion from the economy. To make a profit, the company must carry out operational activities. This operational activity can be carried out if the company has the resources. Resources are listed in the balance sheet. The relationship between the elements that make up the balance sheet can be shown by financial ratios. Financial ratios are one form of accounting information that is important in the process of evaluating company performance, so that using these financial ratios can reveal the financial condition of a company and the performance that has been achieved by the company for a certain period. To measure how far the strategy that the organization has done to achieve the vision and mission, for that it takes a Key Performance Indicator which also functions as a measuring tool and measures to

where the vision and mission of the organization is achieved. Key Performance Indicator (KPI) is a tool or management instrument so that an activity or process can be followed, controlled (if deviated, can be recognized for correction), and ensured to realize the desired performance.

State-Owned Enterprises (SOEs) are government-owned companies or organizations tasked with regulating and managing Indonesia's natural resources related to the interests and welfare of the Indonesian people. Based on Law of the Republic of Indonesia No. 19 of 2003 concerning SOEs, State-Owned Enterprises (SOEs) are business entities whose entire or majority of capital is owned by the state through direct participation derived from separated state assets. SOEs are one of the economic actors in the national economic system, in addition to private business entities and cooperatives. In carrying out their business activities, SOEs, private companies and cooperatives carry out the role of mutual support based on economic democracy. State-Owned Enterprises consist of two types, namely corporate entities (Persero) and general business entities (Perum).

The financial performance of one of the state-owned company groups in the survey business, which in the last eleven years has experienced significant fluctuations in line with the movement of economic conditions in Indonesia, and especially in the last year of 2020 showed a sharp decline as one of the impacts of the COVID-19 pandemic. The company's performance is initially measured using profitability ratios and then continued with the Economic Valued Adeed (EVA) assessment. This is on the basis that the profitability ratio is one of the measuring tools used to assess a company's good financial performance, by forming a ratio pyramid (CFI-Financial Ratios-Cheat Sheet-eBook, 2021: 30). Ratio pyramids are a good way to visualize drivers of equity returns. Furthermore, measurement using financial ratios will be broken down into key financial performance components in terms of profitability, asset efficiency and leverage components.

This phenomenon describes the condition or financial performance of the company in the last ten years and tends to experience quite high fluctuations. The company is also supported by nine branch offices and four business division offices spread almost throughout Indonesia. This also illustrates that there are quite a lot of fundamental factors of the company's finances that also determine the results of the company's financial performance. Factors of liquidity, solvency, efficiency, profitability become factors that determine the achievement of company performance. In addition, the role of the size of the company is also able to strongly determine the financial success of the company. Issues similar to this condition have been studied by Baines and Langfield-Smith (2003), it's just that this study examines the application of financial management practice experience that has an impact on the company's financial performance. The results of this study are also able to provide research gaps for re-research because previous researchers only showed the role of financial experience in achieving the company's financial performance.

Other studies that also examine variables related to financial management variables with company financial performance are also by other researchers. The researchers in question, including Al-Dmour, Al-Dmour and Rababeh (2020) and Winand et al. (2010) showed the results that good financial management has a positive impact on the achievement of the company's financial performance. Research that examines the relationship between financial management and performance all show positive results, namely by implementing good and correct financial management has been able to provide positive value and is able to achieve better company performance. Business performance in recent times has been approached by a multidimensional perspective, as a company's continuous reporting system that is proactive for assessing an organization's financial performance must at least address impacts at the organizational and community level, as well as social impact-related outcomes. The size of the company is one of

the important factors that are able to provide support to the company's ability in terms of funding capabilities. The larger the size of the company, the better the financial performance so that it is able to overcome obligations both internal and external which in this case are leveraged (Lokman and Tareh, 2020). However, it is also found in empirical studies that show that company size has a negative impact on sustainable financial reporting (Hardika, Manurung and Mulyati, 2018). Large companies have better information systems and technology compared to small companies so that they can strengthen internal control and speed of presentation of financial statements. This also triggers that good profitability will be strengthened by a good company size in producing maximum financial performance (Fujianti and Satria, 2020).

This phenomenon can be seen in research conducted by (Koh, Laplante and Tong, 2007), (Αρβανιτίδοσ, 2009), where the company's business operations should be managed effectively with efficient use of resources, but the accuracy and reliability of the use of financial data must also be considered and run with consistency. This shows that the achievement of business performance emphasizes more on fulfilling the interests of stakeholders. The company's financial performance associated with financial management in previous studies is not in one measure of performance. Some link company performance with experience in implementing financial management practices (Baines and Langfield-Smith, 2003), some link company performance with knowledge and innovation about finance (Al-Dmour, Al-Dmour and Rababeh, 2020), some link company performance with the level of financial education (Li and Qian, 2020), and some link company performance with management habits in financial management (Winand et al., 2010).

METHODS

In this study for empirical validation in the research model, sampling was carried out on the entire population of financial data of group companies throughout Indonesia, which were actively operating from 2010 to 2020. The number of samples of this research object consists of as many as 13 companies. Thus, there are as many as 143 panel data available for further analysis or the entire population into a research sample (Sekaran, 2016).

The data collection is carried out by disseminating requests for audited company financial statements in the period 2020 – 2020 for all company branches spread across 13 locations in Indonesia. The data taken is classified as secondary data. The data collection is carried out by each branch manager and directly sent in the form of data files to researchers via email.

RESULTS AND DISCUSSION

Evaluation of Outer Reflexive Construct Models

The results of the initial analysis show that the entire loading value of the variable indicator factor is above or > 0.70 or meets the requirements. While those that do not include requirements are excluded from the model, as well as other provisions in the nature of SEM PLS (Hair et al., 2017, 2019).

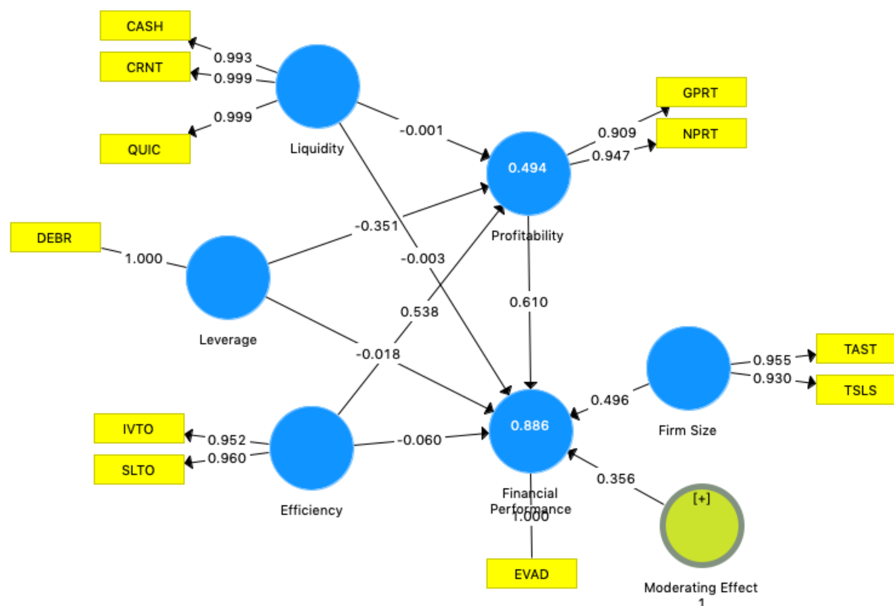

Figure 1. Output Analysis Algorithm

Furthermore, for the analysis of the validity and reliability of the model construct can be displayed in the Table as follows:

Table 1. Construct Reliability and Validity Cronbanch's Composite

	Cronbanch's Alpha	*Composite Reliability*	*Average Variance Extracted (AVE)*
Likuiditas	0.997	0.998	0.995
Leverage	1.000	1.000	1.000
Efisiensi	0.096	0.995	0.914
Ukuran Perusahaan	0.876	0.941	0.888
Profitabilitas	0.842	0.926	0.862
Kinerja Keuangan	1.000	1.000	1.000
Moderating Effect 1	1.000	1.000	1.000

Based on the figure in Table 1, it shows that the value of Cronbach's Alpha produced in this confirmatory study, in total, is >0.70 so that it has shown that the reflexive construct indicators are all reliable or meet the reliability test. Similarly, the Composite Reliability value produced in this confirmatory study is >0.70 and shows reliability. Then the Average Variance Extracted (AVE) value produced by all constructs is >0.50 or indicates that it has met the requirements of convergent validity and good reliability. The validity requirements in the model using discriminant analysis with HTMT (Heterotrait-Monotrait) in Table 2 are as follows:

Table 2. Discriminant Validity – Heterotrait-Monotrait (HTMT)

	Efficiency	Financial Performance	Firm Size	Leverage	Liquidity	Moderating Effect 1	Profitability
Efficiency							
Financial Performance	0.753						
Firm Size	0.723	0.772					
Leverage	0.223	0.167	0.324				
Liquidity	0.107	0.036	0.027	0.055			
Moderating Effect 1	0.179	0.280	0.131	0.618	0.045		
Profitability	0.695	0.777	0.491	0.494	0.045	0.198	

The results of the discriminant validity analysis in Table 2 show that all HTMT values of each variable are below or < 0.90 which shows that the correlation value for each inter-variable is to have met a good validity discriminant value.

Evaluation of the Inner Model of the Refelective Construct

The evaluation of the inner model is in Table 3 as follows:

Table 3. Evaluation of R Square Value

	R Square	*R Square Adjusted*
Kinerja Keuangan	0.886	0.881
Profitabilitas	0.494	0.483

Based on Table 3, it can be seen that the R Square for financial performance is 0.886 with an adjusted r square value of 0.881 or shows that the effect of liquidity, leverage, efficiency, company size and profitability simultaneously on financial performance is 0.886 or 88.6%. Since the r-square adjusted value is more than 88.1%, the effect of all exogenous constructs of liquidity, leverage, efficiency, company size and profitability on financial performance is strong. While the r square value of the simultaneous effect of liquidity, leverage, and efficiency on profitability is 0.494 with an adjusted r square value of 0.483. This also shows that the effect of liquidity, leverage, and efficiency on performance is 49.4% and because the value of r square adjusted is greater than 48.3%, the effect is strong.

Path Diagram Model Analysis Results

The results of the path chart model analysis from this research model display the direct influence between exogenous variables on endogenous and the role of moderating company size variables, and can be displayed in Table 4 as follows:

Table 4. Path Coefficients Direct Influence Between Variables

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P values
Likuiditas -> Profitabilitas	-0.001	-0.031	0.053	0.022	**0.982**
Leverage -> Profitabilitas	-0.351	-0.364	0.100	3.504	**0.001**
Efisiensi -> Profitabilitas	0.538	0.524	0.054	9.954	**0.000**
Likuiditas -> Kinerja Keuangan	-0.003	0.000	0.020	0.143	**0.086**
Leverage -> Kinerja Keuangan	-0.018	-0.024	0.066	0.276	**0.783**
Efisiensi -> Kinerja Keuangan	-0.060	-0.056	0.057	1.051	**0.294**
Ukuran Perusahaan -> Kinerja Keuangan	0.496	0.503	0.060	8.302	**0.000**
Profitabilitas -> Kinerja Keuangan	0.610	0.592	0.091	6.673	**0.000**
Moderating Effect 1 ->Kinerja Keuangan	0.356	0.358	0.043	8.304	**0.000**

Based on the results of the path coefficient in Table 4, it shows that there are as many as five variables that have a directly significant effect with the statistical t value produced for the

variable > 1.96 or with a p value of <0.05. While in this case there are also as many as four other variables that directly do not have a significant effect or with a statistical t value of < 1.96 and a p value of >0.05. Thus, the results of the analysis also show that not all hypotheses can be accepted. In addition to the direct influence that can be known from the analysis results model in this study, in this case it can also be known the indirect influence of liquidity, leverage, and efficiency through profitability mediation on financial performance. It can also be shown in Table 5 as follows:

Table 5. Path Coefficients Indirect Influence Between Variables

	Original Sample	*Sample Mean*	*Standard Deviation*	*T Statistics*	*P values*
Likuiditas -> Profitabilitas -> Kinerja Keuangan	-0,001	-0,018	0,032	0,022	**0,982**
***Leverage* -> Profitabilitas -> Kinerja Keuangan**	-0,214	-0,211	0,054	3,954	**0,000**
Efisiensi -> Profitabilitas -> Kinerja Keuangan	0,328	0,311	0,059	5,592	**0,000**

Table 5 shows that there is also an indirect influence between exogenous variables on endogenous variables through mediation or intervening variables. This situation also results in three indirect lines of influence of the variables efficiency, leverage and liquidity on financial performance through profitability. The indirect effect of liquidity on financial performance through profitability mediation obtained a path coefficient value of -0.001 and statistical t 0.022 and p value of 0.982 which shows a negative and insignificant influence. This situation also shows that profitability cannot mediate the relationship between liquidity and financial performance. Furthermore, the indirect effect of leverage on financial performance through profitability mediation is with a path coefficient value of -0.214 and statistical t of 3.954 and p value of 0.000 or shows a negative but significant influence. Profitability in this case can also be an intermediary to the relationship between leverage and financial performance. Then the indirect effect of efficiency on financial performance through profitability mediation is obtained a path coefficient value of 0.328 and statistical t 5.592 and p value of 0.000 which shows a positive and significant influence. This means that profitability in this case can be an intermediary for the relationship between efficiency and financial performance.

DISCUSSION AND IMPLICATIONS

Liquidity has a negative and insignificant effect on profitability. This is supported by the acquisition of a path coefficient value of -0.001 and a statistical t value of 0.022 < 1.96 and a p value of 0.982 > 0.05 which indicates an insignificant direct effect or hypothesis 1 (H1) is rejected. This finding is not in line with Walsh's opinion (2006) where the company's profitability is also determined by elements in the balance sheet, including liquidity. But in the results of this study the conditions are different from existing theories. The type and type of organization that the company runs in search of profit also determines the liquidity and profitability of the company. Similarly, Fuadi and Aidi's (2020) study found that the liquidity ratio has a significant effect on the profitability ratio of cigarette companies on the IDX. Looking at the findings of studies and theoretical and empirical conditions are with quite varied results. In companies with complex organizational structures, where the presence of branch offices will greatly affect the financial condition of the office in a consolidated manner later. This organizational model emphasizes a cross-subsidy system to lift each branch of the organization so that there is high synergy and will be footprinted within the holding company as a whole. In this case it is also found that liquidity indicators are in order of dominance by quick ratio, current ratio and cash ratio. This situation shows that the quick ratio is more focused on the goal of paying off obligations in a period of less than 90 days. Then the company prioritizes the ability of funds to repay obligations within a period

of one year and on the cash ratio to maintain the situation if the company experiences very difficult financial matters. In general, this is not related to the profitability of the company.

Leverage has a negative and significant effect on profitability. This is supported by the acquisition of a path coefficient value of -0.351 and a statistical t value of 3.504 > 1.96 and a p value of 0.001 < 0.05 which indicates a negative and significant direct influence or hypothesis 2 (H2) is accepted. The results of this study are in line with the opinions of Tjia (2009) and (CFI-Financial Ratios-Cheat Sheet-eBook (2021), where the leverage ratio is one type of financial ratio that shows the level of debt or liability by a business entity against other accounts in the balance sheet, profit and loss and cash flow. Through this ratio, it gives an indication of how company assets and business operations are financed using sources of debt. Thus, it is assumed that through leverage will be able to support the financing needed by the company. Where the greater the source of financing, the less likely the company will be able to generate profits because the large amount of obligations must be accompanied by the ability to pay installment obligations. The results of this study also confirm previous studies (Hasan et al, 2014), and Korankye and Adarquah, 2013) where leverage has a significant effect on profitability, albeit in a negative direction. However, it is not in line with the studies of Isbanah (2015) and Cahyadi (2020) which show that leverage does not have a significant effect on company profitability. Looking at this situation, it can be stated that government-owned survey companies are as based companies as appraisal services spread in several branches throughout Indonesia, able to optimize sources of financing originating from outside or third parties to support every company activity in carrying out operations in the field. Through the support of financing sources from this obligation, the greater the opportunity for the company to get or do additional work that can bring more optimal profits. This can be measured through the realization of a smaller net profit margin value along with the increased leverage that the company utilizes through centralized control. The company must set aside as incoming money to return the source of financing to the third party.

Efficiency has a positive and significant effect on profitability. This is supported by the acquisition of a path coefficient value of 0.538 and a statistical t value of 9.954 > 1.96 and a p value of 0.000 < 0.05 which indicates a negative and significant direct influence or hypothesis 3 (H3) is accepted. The results of this study are also in line with Bull's (2008) opinion where the turnover ratio is used by companies to support long-term asset funding, along with the potential shortfall of short-term assets that are not covered by liabilities in the short term. In sales turnover obtained from a number of sales activities carried out by the company, the concept of accounting is to determine how fast the business conducts its operations. The findings of this study also confirm with the results of the study of Hassan et al., (2014) that the average payment period is positively related to gross profit margin. Similarly, Korankye and Adarquah (2013) found that the receivables collection period and debt repayment period are correlated with profitability, respectively. Similarly, total asset turnover is one of the company's efficiency ratios that can have a significant effect on net profit margin (Martha and Sitompul, 2019). In general, the efficiency ratio is able to show its role in the company's profitability in a positive and strong direction. One of the efficiency ratios that stood out in this study was proxied by sales turnover. This situation also illustrates the existence of a number of sales activities carried out on an accrual basis so that the guarantee expected by the company is through the payment of receivables for the sale. While profitability proxied by net profit margin is the end result of a number of sales efforts carried out by the company and reduced by a number of expenses or cost of goods sold. Thus, the higher the sales turnover that the company is able to do, the higher the potential in generating company profits. The higher the profit, the more likely it will be to be able to finance operational costs and in turn will be able to generate a higher net profit margin.

Liquidity has a negative and insignificant effect on financial performance. This is supported by the acquisition of a path coefficient value of -0.003 and a statistical t value of 0.143 < 1.96 and a p value of 0.086 > 0.05 which indicates an insignificant direct effect or hypothesis 4 (H4) is rejected. This finding is in line with the opinion of Garnt (2003) and Young and O"Byrne (2001) where the value of EVA in this case is more determined by NOPAT subtracted by Capital Charge. This means that in this situation the function of liquidity does not determine the yield of the EVA

value. However, in terms of income and other costs as well as interest and taxes that determine the results of the company's financial performance. The value of conventional profit and loss will be smaller with this EVA method so that it can describe the value of company performance more comprehensively. The effect of liquidity on financial performance also occurs by mediating profitability with a path coefficient value of 0.011 and statistical t 0.339 and p value of 0.690 so that it shows positive and insignificant results This means that profitability or net profit margin does not mediate the relationship between quick ratio and financial performance in EVA. The findings in this study also confirm Santosa's (2000) empirical study that the company's liquidity has a positive but not significant effect on the company's financial performance. There are also empirical study results that cannot be confirmed, namely liquidity has a positive and significant effect on the company's financial performance (Almaqtari et al., 2019) and Lashari W.M., et, al, 2019). Looking at expert opinions and empirical studies, it shows that there are contingencies in certain companies, but there are also inconsistencies in results in other types of companies. In this study, which is carried out on companies based on service companies or especially appraisal services, of course, has a different business construction from the types of real sector companies in general. Companies do more work whose benefits can only be felt in the long future.

Leverage has a negative and insignificant effect on financial performance. This is supported by the acquisition of a path coefficient value of -0.018 and a statistical t value of 0.276 < 1.96 and a p value of 0.783 > 0.05 which shows an insignificant direct effect or hypothesis 5 (H5) is rejected. The results of this study are in line with the opinions of Garnt (2003) and Young and O"Byrne (2001) where the value of EVA in this case is more determined by NOPAT minus Capital Charge. In this situation the function of leverage recorded in the capital charge is the deducted part of the NOPAT so that generally the amount is smaller, so it does not determine from the result of the EVA value. However, in terms of income and other costs as well as interest and taxes that determine the results of the company's financial performance. The value of conventional profit and loss will be smaller with this EVA method so that it can describe the value of company performance more comprehensively. The results of this study confirm the empirical study of El-Sayed Ebaid (2009) in which leverage as a component of capital structure has a weak and insignificant effect on the financial performance of non-financial companies. In addition, it is in line with the results of the study of Almaqtari et al (2019) where working capital management has an insignificant impact on the company's financial performance as measured through EVA analysis. However, on the other hand, leverage was also found to have a significant effect on financial performance (Hassan et al., 2014, Cahyadi, 2020, and de Wet and Hall, 2004, and Rahma, 2019). The results of this study also found that leverage can also be a good mediator in the relationship between leverage and financial performance. This is supported by the path coefficient value obtained -0.14 and the statistical t value of 3.954 and p value of 0.000 which shows a positive and significant influence. The ratio of liabilities to equity owned by the company will be better to the business in generating added value for the company through the creation of a good net profit margin as well. The results of utilizing capital sources will be a support for the creation of a company profit in creating more optimal added value, but most of the company's work has a long return value.

Efficiency has a negative and significant effect on financial performance. This is supported by the acquisition of a path coefficient value of -0.060 and a statistical t value of 1.051 < 1.96 and a p value of 0.294 > 0.05 which shows an insignificant direct effect or hypothesis 6 (H6) is rejected. The results of this study are in line with the opinions of Garnt (2003) and Young and O"Byrne (2001) where the value of EVA in this case is more determined by NOPAT minus Capital Charge. In this situation, the function of the activity ratio is not necessarily included in the capital charge, which is as a subtracted part of NOPAT, so it does not determine from the results of the EVA value. However, in terms of income and other costs as well as interest and taxes that determine the results of the company's financial performance. The value of the efficiency ratio does not directly enter into the calculation in the formation of the EVA value. The value of the activity ratio is more aimed at monitoring the sales operational activities carried out by the company, so that it has more impact on receivables. In addition to directly affecting financial

performance, efficiency also indirectly affects financial performance through profitability mediation. In this case it is with a path coefficient value of 0.328 and a statistical t value of 5.592 and a p value of 0.000 or shows a significant influence. This means that profitability is a good bridge to the relationship between efficiency and financial performance. Net profit will show a good level of sales turnover that has been successfully carried out by the company so that it can generate added value for the company. A large net profit value will be a strong support for the company in generating a faster sales turnover, so that the company's financial performance will be better lifted.

Profitability has a positive and significant effect on financial performance. This is supported by the acquisition of a path coefficient value of 0.610 and a statistical t value of 6.673 > 1.96 and a p value of 0.000 < 0.05 which indicates a negative and significant direct influence or hypothesis 7 (H7) is accepted. The results of this study are in line with the opinion of CFI-Financial Ratios-Cheat Sheet-eBook (2021) where profitability is a financial tool used by analysts and investors in measuring and evaluating a company's ability to generate revenue or in the form of profit in a certain period. Similarly, Young (2001) suggests that profitability is a determining factor for the achievement of a financial performance result measured through EVA. The results of this study also confirm empirical studies showing that profitability has a significant effect on the company's financial performance (Mouss and Boubaker, 2020). Similarly, the results of an empirical study by Kada and Rikumalu (2018) found that profitability has a significant effect on the company's financial performance measured through MVA. Furthermore, it also confirms Rahma's study (2019) where partial profitability has a significant effect on the company's financial performance as measured by EVA. The profitability of the company in this case is measured by net profit or as the dominant gauge of EVA. Through the net profit generated by the company, the NOPAT value will be measured more clearly so that the results affect the EVA value generated will be progressive.

The size of the company has a positive and significant effect on financial performance. This is supported by the acquisition of path coefficient values of 0.496 and statistical t values of 8.302 > 1.96 and p values of 0.000 < 0.05 which indicate a negative and significant direct influence or hypothesis 8 (H8) is accepted. This result is in line with Horne's (2002) opinion that the size of the company is one of the determining factors for the company's liquidity so that it also has an impact on the company's financial performance. The results of this study are also able to confirm the empirical study of D"Amato and Falivena (2020) in which the size of the company moderates or strengthens the relationship between the company's financial strength and the company's financial performance. Similarly, confirming the empirical study of Hui et al., (2013) that company size moderates the company's financial fundamentals with financial performance, company size is able to strengthen the relationship between liquidity and company value which in this case is in the form of financial performance (Santosa, 2020). The size of the company in this case total assets can be a strengthening factor for the relationship between liquidity or quick ratio with financial performance in the form of EVA.

The larger the company in terms of assets, the more it will have a good fast ratio so that it will further support the company's operations and also have an impact on greater profit creation and the value of EVA by itself will also improve or greater than zero.

The size of the company moderates the relationship between profitability and financial performance. This is supported by the acquisition of path coefficient values of 0.356 and statistical t values of 8.304 > 1.96 and p values of 0.000 < 0.05 which indicate a negative and significant direct influence or hypothesis 9 (H9) is accepted. These findings are in line with Horne's (2002) opinion that there is continuity between the size of the company and the level of profitability that can be achieved more optimally. Through the appropriate size of the company, a higher value creation will be achieved so that it is possible to generate higher profits and thus the company's EVA value will also have the opportunity to be above or greater than zero. The results of this study also confirm the Medase study (2020) that company size moderates the relationship between fundamental factors and financial performance. Similarly, it confirms the empirical study of D"Amato and Falivena (2020) that a small company size will lead to small production and sales

capabilities, which will affect the achievement of the company's financial performance. The size of the company is able to moderate the fundamental financial factors with financial performance (Hiu et al., 2013). This situation can also be seen that a branch company with a large asset value will be able to strengthen in generating high profitability so as to strengthen also in the calculation of EVA value and with results above zero. A larger company size is able to improve financial performance as measured through the acquisition of added value.

CONCLUSION

This study was conducted to determine the direct influence of fundamental financial factors on profitability and financial performance of companies as well as the role of moderation of company size. Liquidity has a negative and insignificant effect on profitability, unless leverage and efficiency are able to have a significant effect. Liquidity, leverage and efficiency have a partial insignificant effect on financial performance. Profitability does not mediate the relationship between liquidity and financial performance, unless leverage and efficiency can be mediated by profitability to financial performance. Profitability, and company size have a significant effect on financial performance. Meanwhile, company size also moderates the relationship between profitability and financial performance. Further research needs to be carried out as a development of the model in this study by involving macroeconomic external factors as moderator variables. In general, the type of work in the field of construction and appraisal services within the scope of government business has a fairly long turnover cycle so that it needs its own calculation that is different from real sector companies from liquidity, leverage and activity efficiency.

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First publication right:
Journal of Social Science

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