The impact of responsible financial business on the profitability performance of public listed companiesin Asia

ABSTRACT

Thisresearch aimed to test the associationamong responsible financial business and its impact on profitability performance. This study chose a sample of publicly listed companies (PLC) in the large Asian companies listed on the stock market, consisting of 120 companies listed from 2010 to 2022. This paper showed that there is a positive and important relationamong responsible financial business and profitability performance. Since 2010, after the international financial crisis, some countries have viewed a remarkable development in the public markets, in addition toarise in the volume of business and arise in the number of PLC on the stock market. Therefore, the goal of this paper is to test the extent to which these countries have been able to realize the significance of responsible business in the process of profit growth and economic integration, as well as what standards and policies have been applied for the purpose of interestingand encouraging the foreign capital and business. Also based on confirmation, the paper will classify and distinguish foreign direct business, its impact on integration, and its impact on profits.This research recommends that the investing in quality businesses is where your money should grow over the long term.

Keywords: responsible financial business, profitability performance, PLC

1. INTRODUCTION

In latest years, the concern in the investing in countries has improved due to the improvement of the business environment and the reduction of problems that stood in its method, and in the world most countries are competing and actively searching to invitebusiness.It can contribute to economic and social development, as evidenced by its influence on economic development. In addition to the transfer of technical and administrative knowledge, it can directly and indirectly contribute to national capacity building through the introduction of current technologies, employment opportunities through business and training chances for citizens of the host country. Business investment can also assistance host countries rise profits during technology (Roy & Thangaraj, 2020).

The process of exchanging amongrisk and return is of great significance in financial and the financial thought, as it is directly linked to all the joints of activities in business creations and the relationship between the process and its purchase, such as financing opinions, investment opinions, and dividend opinions, in the name of the essence and content of financial thought, as the science of financial management examines the rationalization of decisions [16-18]. Financing, investment decisions, dividend decisions, and the structure of their performance to attain the strategic purposes of financial administration in all the business creations. Banking profitability activity is of exceptional importance in the process of economic progress and growth for all countries and financial institutions, especially banking profitability institutions, with a high level of consideration when disseminating profits and implementing regulations(Chhaidar et al.,2023&Shih-Fang Lo., 2010). The costs of studying the achieved returns and the risk element so that these establishments avoid the daily and future “liquidity risks” that they may face in the crises phases that they are exposed to. The financial investment problems occur due to the absence of liquidity in a market, and the clarified the varianceamong investment risks in overall and risks as per the kind of investment in specific, and also the lack of a risk-free asset, as risks differas per assets for instance bonds, stocks, and cash.

Economic and financial crises reflect external shocks on companies' profitability, viability, and the cash flows, and mostlydecrease the predictable return on the investment opportunities. However, given lesser asset prices, they may make opportunities for growth for companies that have greater financial flexibility and creditworthiness in a way that enables them to have easier reach to outside capital markets to see financing needs, thus avoiding circumstances that capacityprincipal to poor business investment performance and suboptimal investment. Moreover, achieving financial flexibility is crucial, to hedge against indeterminate future possibilities arising from unexpected shortfalls in profits, to the extent that companies are improvedprepared to avoid the risks of bankruptcy and financial distress, expand into markets, and adopt optimal investment strategies that achieve building finance is an effective competitive strategic tool because of its impact on sustainable growth and profits. Therefore, it is potentially harmful to the company's financial behavior, especially in times of crisis. More specifically, firms may approve a conventional debt policy to sustain “large reserves of untapped borrowing power,” so that they are able to raise external funds during periods of crisis and contracting problems and asymmetric information power them to profitable growing opportunities (Leite, Cortez, 2020;Marchica, & Mura, 2010& Abbas et al., 2024), in a way that allows them to decrease the negative influence of “liquidity shocks”. Also, companies that refrain from borrowing in unrestricted periods are more possible to problem more debt in times when access to capital markets is more restricted Cristianne et al., (2022); Cerciello et al., 2023 and Ferrando et al., (2017).

Therefore, this paper found that there is a large gap in responsible financial business (RFB), which is very important in terms of achieving profits through correct performance and decisions.

2. REVIEW OF THE STUDIES

Investing is the process of using money or other resources in assets such as stocks, bonds, and real estate, for the purpose of earning a return on them in the future. Business investment aims to increase the value of capital or generate continuous income over time. Investing is an essential part of personal and business financial planning, as it can help achieve the financial goals of individuals and companies, such as building wealth, providing for early retirement, and generating profits. The business investment process includes asset analysis, risk assessment, and making sound investment decisions according to the investor's goals and risk tolerance.Investing is the use of money to purchase assets such as stocks, real estate, and other valuable assets, with the goal of increasing those funds over time. There are many forms of financial business investments, including stocks, bonds, investment funds, and unit-linked investment plans.

There are two types of financial business investment: internal (domestic) investment and external (foreign) investment. Foreign investment refers to all investments made by investors “abroad” and is therefore considered foreign investment in the country where the investment is made. As for the investment object, it can be a country, a set of countries, a firm, a set of firms, or level an individual. There are also two kinds of “foreign investment”: “direct investment or indirect investment”. The first type (direct) refers to long-run investment, comprising the permanent concern and control of an object resident in the economy (signified by the economy).) rather than locating the project in additional economy (Cristianne et al., 2022). At this time, foreign investors have considerable influence on the administration of projects located in countries other than their own. The significance of “foreign investment” lies in improving profitability performance (PP) and interesting the local economy by supporting the capacity to interact with the international economy and contribute in global production processes, creation of this investment and part of leverage. A more effective economy to which global production processes contribute (Khalid et al., 2023).

Business investment efficiency means the optimal level of investments at which companies choose to pursue and continue projects with a positive net present value and reject investments that will generate negative profits and have a negative net present value (Cherkasova, & Kuzmin, 2018). Thus, inefficient investment represents the amount of deviation from the optimal level and usually these situations are called over-investment or under-investment efficiency investment decisions, where holding policies and financial flexibility, closely linked to conservative cash and leverage, encourage companies to access their financing in a timely manner to respond to "unanticipated" economic issue or seize “investment opportunities”. Value at a very little financing cost, thus achieving its optimal value and avoiding the problems of bankruptcy and financial distress Arslan et al., (2014). Accordingly, companies must maintain a certain level. At the same time, research interests have revealed the importance of financial profits as the missing link in financial decisions. In this regard, most research in the late 2000s focused primarily on identifying sources of financial flexibility (DeAngelo et al., 2009). While subsequent research has focused more on the implications of financial flexibility, particularly its various effects on dividend policy, leverage Dynamics.

The study found results, the most important of which are: there is a correlation and a significant impact of the RFB in improving the profitability performance of Asian PLCs.Therefore, thispaper fills this gap byview such connection. The subsequent is "hypothesised":

H1. The responsible financial businessisstronglylinking with profitability performanceof PLCs.

3. RESEARCH METHODS

We have depended on on the "descriptive analytical"method in our show of the kinds of responsible financial business and its impact on profitability performance. This study was selected from a sample of public listed Asian companies consisting of 120 companies from 2010 to 2022. This study used secondary data by using annual reports and the database and used the Stata program to analyze the data.Figure 1 shows responsible financial business index according to the years.

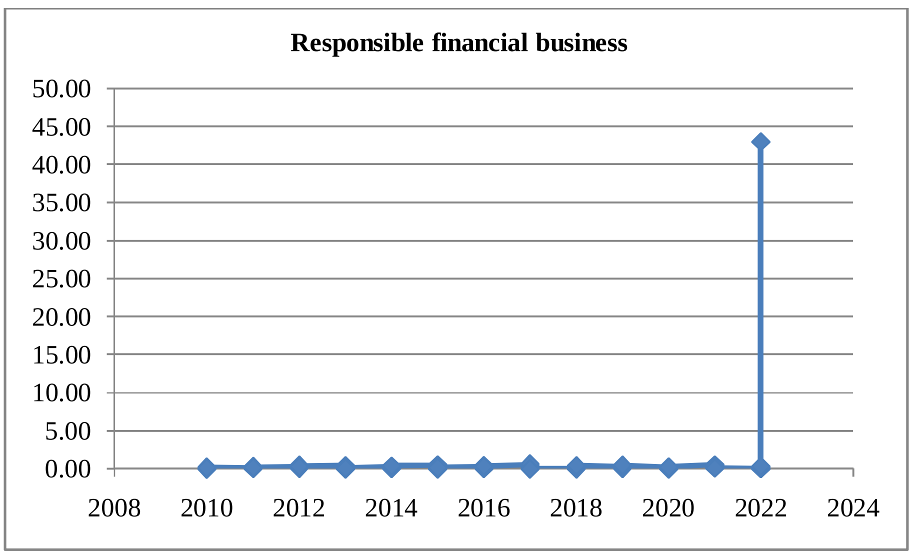

Figure 1 Responsible financial business index according to the years.

This study measured the variables such as, the profitability performance (PRO) measured by using return on equity (ROE), responsible financial business, measured by using the indexing; 1 form business information, and 0 - non- business information, "firm risk measured by using the "coefficient of variation" (i.e. standard deviation/mean, liquidity = measured by using current liabilities, growth rate measured by used "the current value subtract from the previous value next divide the difference by the previous value and multiply by 100 to get a percentage illustration of the rate of growth".

One empirical model is employed to identify the association among RFB and PP. This study uses an OLS regression method. This research estimated results are applied utilising the"model" to enhance their "compares" to that of further studies. The model of regression test belowclarifies the connection.

$$PP_{it} = \beta 0 + \beta 1\, RFI_{it} + \beta 2\, FR_{it} + \beta 3\, LIQ_{it} + \beta 4\, GR_{it} + \varepsilon$$

4. THE STUDY FINDINGS

4.1 DESCRIPTIVE ANALYSIS

The "descriptive statistics" demonstrations the variables in the table 1" for the study"sample" of 120 PLC, descriptive the findings for the "objective". RFB, first variable, is measured utilising an index cover the period from 2010 to 2022. Table 1 show that the sample mean is 0.11, with a maximum value of 0.45 and a minimum value of 0.000, indicating Asian RFB throughout the study period. PRO, i.e. the second variable is measured using return on equity. Table 1 show that the PRO sample mean is 0.25, the "maximum" a value is 0.76, and the minimum a value is -0.60.

Control variables include firm risk, liquidity, and growth rate. Looking at the descriptive statistics, there is a wide range of firm risks, with the"minimum" value of 0.11 and a "maximum" value of 0.79. For liquidity, the average value of the observed firms is 0.19, the "minimum"a value is 0.000 and a"maximum" a value is 0.62. Finally, for the growth rate, the firms have an average value of 0.24, a "minimum" value of 0.000 and the "maximum"a value of 0.90.

Table 1

"Descriptive Statistics of the Variables"

Variable	Obs	Mean	Median	Std. Dev.	Min	Max
PRO	120	0.25	0.16	0.20	-0.60	0.76
RFB	120	0.11	0.19	0.18	0.00	0.45
Firm risk	120	0.40	0.29	0.21	0.11	0.79
Liquidity	120	0.19	0.12	0.17	0.00	0.62
Growthrate	120	0.24	0.09	0.24	0.00	0.90

Note: This table shows the profitability performance (PRO) measured by ROE = return on equity; RFB = responsible financial business, measured indexing; 1 form business information, and 0 - non-business information; firm risk ="measured using the coefficient of variation (i.e. standard deviation/mean"; liquidity = measured by using current liabilities; growth rate =measured by used "the current value subtract from the previous value next divide the difference by the previous value and multiply by 100 to get a percentage representation of the rate of growth".; n =120.

4.3 CORRELATION ANALYSIS

“The direction, strength, and significance of the relationship between the variables in this paper were determined using “analysis the correlation”. Table 2 shows the “Pearson coefficients correlation”among“independent”, control, and dependent variables, revealing a strong correlation between the scores. These controls are clarified in detail under.

“Multicollinearity” was not a problematic in the current study. The “correlation” values of all variables are fewer than 0.80, indicating that there is no serious issue of “multicollinearity” (“Hair et al., 2010”& Abbas et al., 2023).). There is some correlation among “independent-variables” and “dependent-variables”. As shown in the Table 2, RFB showed a significant positive correlation with PRO. Business risk, liquidity, and growth rates are negatively related to PRO. In terms of “multicollinearity”, the correlation matrix illustrations that there is no “multicollinearity”among the variables because” “none of the variables have a correlation greater than 0.80” and all variables are less than 0.80 in the correlation values.

Table 2
Correlation Coefficients for All Variables

Variables	PRO	RFB	Firm risk	Firm risk	Firm risk
PRO	1	0.023	-0.043	0.000	0.042
RFB	0.080	1	0.211**	-0.089	-0.172*
Firm risk	-0.151	0.198*	1	-0.070	-0.221**
Liquidity	-0.021	-0.067	-0.189*	1	0.073
Growthrate	-0.014	-0.234**	-0.242**	0.063	1

Note: **Correlation” is important at the 0.05 level; *Correlation is important at the 0.10 level.

4.4 REGRESSION ANALYSIS

Ordinary least square (OLS) regression was used to study the research hypotheses and model utilising the OLS method, as shown in Table 3. This study found that RFB has a significant positive correlation with the profitability performance, the t-stat shows 1.20 and the significant shows 0.022. Firm risk and liquidity have the same and positive important relationship with PRO. Growth rate has a significant negative relationship with PRO. Analytical concerns suggest that the firms are focusing on expanding profitability by providing better RFB exposure in their annual reports.

Table 3
The Regression Results in the Model

Variables	Coef.	Std. Err.	t-stat	Sig
RFB	2.534	1.652	1.20	0.022**
Firm risk	1.217	0.082	15.54	0.001***
Liquidity	0.125	0.041	2.51	0.020**
Growth rate	-1.021	0.600	-1.39	0.017***
Constant	-9.297	1.201	-8.69	0.003***

This study is to test the extent to which these countries have been able to realize the significance of the responsible financial business in the process of profit growth and economic integration, as well as what standards and policies have been applied for the purpose of motivating foreign investment and inviting foreign capital. Also depend on evidence, the paper will classify and distinguish foreign direct investment, its impact on integration, and its impact on profits.

5. CONCLUSION AND RECOMMENDATION

Responsible financial business enhances companies' ability to achieve profits, optimally allocate financial resources, and provide good financial support for the growth of its profitability, which makes it enjoy better current financial performance compared to non-profit corporationsbusinessinvestment and construction, current and future profits of companies listed in the Asian PLC market more specifically, responsible investing affects the company's profitability in the current year. Thus, while it does not have any impact on the future profitability of the company in the year after the following, it has no meaningthis is because of the influence of the businessinvestment on the profitability of companies. The analysis in the current study showed with a positive and statistically important effect between responsible financial businessand the"profitability performance" in the Asian PLC. Therefore, the goal of this paper is to test the extent to which these countries have been able to realize the importance of responsible financial business in the process of profit growth and economic integration, and its impact on profits.

This research recommends that due to inflation and fees, investing in quality businesses is where your money should grow over the long term. Obtaining ideal profits largely depends on the stable growth of businessinvestments, which is why investors should make certain businessinvestments in stocks. Investing in the quality firms builds long-term confidence of investor because they know what they own. Time has proven that a proper and investment in the sustainable method can be to focus on companies with "sustainable competitive advantages", the strong administration and a fair price. An effective businessinvestment strategy is about more than your portfolio and your return percentages. The reality is that most advisors do not engage in comprehensive planning, causing them to miss opportunities to maximize businessinvestment efficiency and increase profits. A comprehensive responsible investment plan includes five main dimensions: income, taxes, investment size, retirement, and the risk ratio. It is therefore worth reviewing your investments regularly to confirm you are “attractive” advantage of the income and businessinvestment opportunities that might be available.

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