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LEVERAGE, FIXED ASSETS, AND BOARD CHARACTERISTIC ON FINANCIAL PERFORMANCE OF NON-CYCLICALS COMPANIES

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Abstract

This study aims to analyze the impact of noncyclical company characteristics, board of director composition, and leverage on financial performance in Indonesia. The researcher uses quantitative research methodology to collect and analyze data. To investigate the impact of significant factors on each other, this study uses multiple linear regression analysis as its data analysis approach. The 66 sampled organizations all have data collected from their annual reports between 2019 and 2023. The result of the analysis shows that ROA and ROE impacted by the debt ratio. Tangible assets have an impact on ROE but not impact on ROA. Board size positively affects ROA but not affect on ROE. Board independence influences ROA but has no effect on ROE. ROA and ROE are impacted by firm size.

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INTRODUCTION

The level of efficiency and effectiveness of the management of invested resources can be reflected in the company's performance results (Priyan et al., 2024). According to research by Priyan et al (2024), capital structure have an impact on a company's success. The majority of the research currently in publication employs return on equity (ROE) and return on assets (ROA) as proxies for measuring a company performance, like the findings of Kasasbeh (2021) study, which indicated that a significant effect of capital structure on company performance. While return on equity (ROE) shows how the business makes money from the best use shareholder capital, return on assets (ROA) interprets how well the company's assets are employed to generate profit. Since profit depends on all of company's assets, investors and prospective investors generally use ROA and ROE as proxies gauge a company's performance and investment (Priyan et al., 2024).

Funding choices made in compliance with management policies are correlated with the performance level of the business. High farm financial decision making (Kasasbeh, 2021). The source of funding that the business uses to finance its operation and investments is referred to as the capital structure. According to some literature, the company gets funding through term loans.

According to Priyan et al (2024) an rise in the total when investing debt ratio will assets the business in meeting its operating requirements and enable it to make investment in non current assets to boost performance. When investing in physical assets that are obtained through borrowing money, capital structure also related. Depending on where the money is coming from corporation or may not have physical assets that are used to make money. In contrast to Pham (2023) research, which found inconsistently significant impact of tangible assets. ROA and ROE, the findings of Priyan et al (2024) indicate that a rise in tangible assets adds to an increase in the company's profit. However, this is not in line with the results of Pham's (2023) research, which reveals no effect of tangible assets on ROA and ROE. Tangible assets that are consistently significant to ROA and ROE.

The existence of differences and inconsistencies in the current literature prompted the author to review the influence of capital structure and assets on the financial performance of companies listed on the Indonesia Stock Exchange in the Non-Cyclical sector. Using the board size variable as a novelty variable as a novelty variable, Nayef et al (2024) found that board size materially affects financial success, while Fariha, Hossain, and Ghosh (2022). verify a statistically significant correlation between the number of board members and ROA.

Conceptual Framework

One of the crucial decisions that the company must make will determine whether it performs well or poorly financially is funding, performance of the company, whether good or bad. In order to maximize the company's financial performance, the usage of funding will result in a capital structure that influences the relationship between the cost of capital and the expected rate of return help to optimize the company's financial results. This demonstrates how managing fixed assets with the help of debt-based finance plans may boost the company's operational effectiveness and profitability. However, the effectiveness of using equity capital might be diminished by an excessive dependence on long term debt, might lessen the effectiveness of using equity capital (Priyan et al., 2024).

According to Jaisinghani and Kanjilal (2017) in Priyan et al (2024), Researchers who have studied the relationship between capital structure and firm performance have come to some interesting conclusions, such as the fact that a firm's financial performance improves when its leverage is high and declines when its leverage is low. As Jaisinghani and Kanjilal's research shows, taking on debt can have both negative and positive effects on a firm's financial performance (2017) research in Priyan et al (2024). To optimize the financial performance of the company, effective debt management can help in the expansion of fixed assets. Capital structure, which includes the utilization of short-term and long-term debt and the ratio of total debt to total assets, plays a vital role in shaping the financial success of an organization. The use of debt can increase financial risk if it exceeds the optimal level (Ulum & Jati, 2016).

According to research Kasasbeh's (2021), The overall impact of debt on ROA and ROE is often negative and large. Another way to look at it is that lower return on assets (ROA) and higher return on equity (ROE) are the result of an increase in the ratio of total debt to total assets. According to this theory, debt frequently has a detrimental impact on both measures of financial performance. The efficiency of employing assets to generate profits in the current year can be impacted by the asset structure, also known as tangible assets, which displays the percentage of fixed assets in the company's total assets. According to earlier research by Nguyen, Le, and Mai (2021), fewer flexible assets ae associated with lower profitability because the are less able to adjust to quick changes in the market and because the fixed asset to total asset ratio has a detrimental effect on ROA.

When it comes to making strategic decisions for the company, the size of the board of directors play a significant impact. According to earlier research by Nayef et al (2024), a larger board size can raise the risk of sluggish decision making but tends to have a favorable association with ROA and ROE. According to research by Nayef et al (2024), ROA and ROE are significantly impacted negatively by the percentage of independent boards of commissioners and directors. These findings suggest that an overly independent board might not be as good at assisting in the successful management of the business's financial performance.

Based on the explanation described above, this discussion can be illustrated in the following framework:

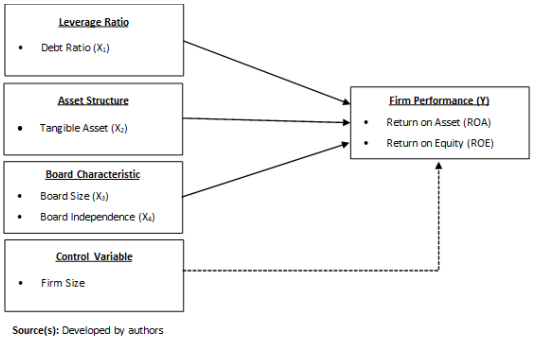

Figure 1. Research Framework

Hypothesis Development

Effect of Leverage Ratio on Return on Asset

Based on earlier research by Priyan et al (2024), which determines that the company's financial performance is positively and significantly influenced by its total debt, both short-term and long-term (ROA). Jati and Ulum (2016) found that an increase in the amount of short-term debt will lead to an increase in ROA, which is a measure of a company's profitability. The company's financial performance, as measured by Return on Assets, will also increase along with an increase in the amount of short-term debt. This is consistent with research Kasasbeh (2021), which found that ROA is positively and significantly impacted by the overall quantity of short-term and long term debt. This research support that of Fauzy, Rakhmawati, Lestari, and Margaretha (2024), who found that the debt ratio significantly affects financial performance, including return on asset (ROA). The findings of earlier studies allow for the formulation of the following hypothesis:

H_1: leverage ratio has a significant effect on Return on Asset (ROA)

Effect of Leverage Ratio on Return on Equity (ROE)

Short-term debt has an important beneficial effect on ROE, according to research findings by Jati and Ulum (2016). This suggests that short-term debt used by business to fund their operational activities has a positive and large impact on ROE value. Research by Kasasbeh (2021) further supports these findings, showing that short-term debt significantly and favorably affects return on equity. According to research by Priyan et al (2024), total debt has a positive impact on ROE, meaning that the higher it is, the more profits the company may make. In addition, increasing debt can lower the cost of capital. The findings of earlier studies allow for the formulation of the following hypothesis:

H_2: leverage ratio has a significant effect on Return on Equity (ROE)

Effect of Tangible Asset Ratio on Financial Performance

Priyan et al.'s research findings on the influence of asset structure on company financial performance (2024), Since it has a positive impact on both dependent variables, increasing physical assets will improve the company's financial performance. The research findings are consistent with those of Nguyen et al (2021) and Dinh and Pham (2020). Since the growth of fixed assets is dependent on the source of funding, it is recommended that business utilize more non-current tangible assets to boost their financial performance. As debt financing rises, fixed assets will also rise, which will boost business performance. This explanation leads to the development of the following hypothesis:

H_3: Tangible assets ratio has a significant on the company's financial performance

Effect of board size on company financial performance

The size of a company's board has a significant impact on its strategic decision making. More viewpoints and experience can be gained from a larger board, but there is a greater chance of ineffective coordination. Nayef et al (2024), significantly improves ROA and ROE. This demonstrate how better financial performance is correlated with a higher board size. According to research by Fariha et al (2022), a larger board size can raise the danger of decision-making being slower than in companies with smaller boards, but it also tends to have a favorable and significant association with the company's financial performance. This research contradicts that of Palupi, Furqon, Lestari and Margaretha (2023), who found no relationship between board size and ROA. Based on the results of the research mentioned, the hypothesis can be developed as follows:

H_4: Board size has a significant impact on the company's financial performance

Effect of Independent Directors on the Company's Financial Performance

According to research Nayef et al (2024), board independent shows a significant negative affect on ROA and ROE. This explains why decreasing return on equity (ROE) and increasing portion of independent directors on the board of directors are detrimental to corporate finance. The following hypotheses can be developed from the explanation of previous research:

H_5: Independent directors have a significant effect on the company's financial performance

Effect of Firm Size on Achieving High Financial Performance

The opportunity to achieve good financial performance for large companies is smaller, as stated by Priyan et al. (2024), Corporate financial performance is negatively affected by corporate size. Research shows that small businesses have a better chance of achieving good financial performance than large businesses. Since larger organizations typically benefit from economies of scale, this explains why the businesses participating in this study did not benefit. According to research by Jati and Ulum (2016), company size itself has a negative and considerable impact on corporate profitability as assessed by ROA and ROE. This is consisted by Fauzan (2024), which found that the larger the firm, the worse its financial performance. Previous research has allowed this study to formulate the following hypothesis:

H_6: Firm size has a significant effect on achieving high financial performance

METHOD

The population in this study was one hundred and twenty-nine non-bicycle companies traded on the Indonesia Stock Exchange between 2019 and 2023. The sampling procedure used purposive sampling. The financial information used comes from corporate reports that have been posted on each company's website and the idx.co.id website. 66 samples of firm years from five years of observation made up the study's final sample. A quantitative approach based on secondary data is used in this study. Data analysis in this study was conducted using EViews 12 and Panel Data Regression techniques. The following equation will be used to test the hypothesis:

Model for return on asset (ROA)

$$ROA_{it} = \alpha + \beta_1 DR_{it} + \beta_2 TANG_{it} + \beta_3 BSIZE_{it} + \beta_4 BIND_{it} + \beta_5 FSIZE_{it} + \varepsilon_{it} \quad \text{.....(i)}$$

Model for return on equity (ROE)

$$ROE_{it} = \alpha + \beta_1 DR_{it} + \beta_2 TANG_{it} + \beta_3 BSIZE_{it} + \beta_4 BIND_{it} + \beta_5 FSIZE_{it} + \varepsilon_{it} \quad \text{.....(ii)}$$

The dependent and independent variables, as well as their interactions with the moderator variables, will be tested using the equation model developed from this study. Models from many previous studies are referred to by this equation model (Priyan et al., 2024) (Nayef et al., 2024). As shown in Table 1, operational definitions of the equation model variables are provided.

Table 1. Operational Variables Definition

Variables	Variables Name	Proxy	Symbol	Formula	Reference
Independents Variables	Financial Performance	Return on Assets	ROA	$ROA = \frac{Net\ Income}{Total\ Assets}$	Priyan et al., (2024)
		Return on Equity	ROE	$ROE = \frac{Net\ Income}{Total\ Equity}$	Priyan et al., (2024)
	Leverage	Debt Ratio	DR	$DR = \frac{Total\ Liabilities}{Total\ Assets}$	Priyan et al., (2024)
	Asset Structure	Tangible Asset	TANG	$TANG = \frac{Fixed\ Assets}{Total\ Assets}$	Priyan et al., (2024)
	Board Characteristic	Board Size	BSIZE	Overall count number of board of administrators' individuals	Nayef et al, (2024)
		Board Independence	BIND	Independent commissioners to total number of boards	Nayef et al, (2024)
Control Variable	Firm Size	Firm Size	FSIZE	Natural Logarithm of total assets	Priyan et al., (2024)

RESULT AND DISCUSSION

RESULT

Descriptive Statistic

The purpose of descriptive statistical analysis in this study is to provide an overview of the variables under investigation. The mean, minimum, maximum, and standard deviation values attained must be examined in order to comprehend the findings of descriptive statistics. This can be shown in table 2 and table 3 namely as follows:

Table 2. Descriptive Statistical Analysis for ROA Variables

Variable	N	Mean	Minimum	Maximum	Std. Deviation
ROA (Y)	330	7.554526	-1391.146	3612.489	213.2965
Debt Ratio (X_1)	330	11.35813	0.097910	3191.109	176.0664
Tangible Asset (X_2)	330	0.995627	0.000000	21.84963	1.856786
Board Size (X_3)	330	9.157576	3.000000	19.00000	3.262482
Board Independence (X_4)	330	4.015152	1.000000	11.00000	2.738293
Firm Size (X_5)	330	14.99142	4.167130	19.04441	2.104818

The ROA variable in Indonesian non-cyclical companies has a range of values, as shown in the descriptive statistics table above: 7.554526 at the mean, 3612.489 at the maximum, -1391.146 at the minimum, and 213.2965 at the standard deviation. The debt ratio variable in Indonesian noncyclical companies has a range of values, as shown in the descriptive statistics data table above: 11.35813, 3191.109, 0.097910, and 176.0664 standard deviation. The descriptive statistics table shows that the tangible asset variable in Indonesian noncyclical companies ranges from a minimum of 0.000000 to a maximum of 21.84963, with a standard deviation of 1.856786. The mean value of this variable is 0.995627. The descriptive statistics data table shows that among Indonesian non-cyclical companies, the board size variable ranges from 3.000000 to 19.00000 with a standard deviation of 3.262482. The minimum value is 3.000000 and the maximum value is 9.157576. The board independence variable in Indonesian non-cyclical companies has a range of values, as shown in the descriptive statistics table above: 4.000151, 1.000000, 11.00000, and 2.738293 for the mean value. The descriptive statistics data table for Indonesian non-cyclical companies shows that the company size variable ranges from 14.99142 at the lower limit to 4.167130 at the upper limit, with a standard deviation of 2.104818.

Table 3. Descriptive Statistical Analysis for ROE Variables

Variable	N	Mean	Minimum	Maximum	Std. Deviation
ROE (Y)	330	7.554526	-1391.146	3612.489	213.2965
Debt Ratio (X_1)	330	11.35813	0.097910	3191.109	176.0664
Tangible Asset (X_2)	330	0.995627	0.000000	21.84963	1.856786
Board Size (X_3)	330	9.157576	3.000000	19.00000	3.262.482
Board Independence (X_4)	330	4.015152	1.000000	11.00000	2.738292
Firm Size (X_5)	330	14.99142	4.167.130	19.04441	2.104818

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Data Analysis

Linier Regression Analysis

The data analysis in this study used multiple regression tests on panel data. In panel data research, one can use one of three models: common effects, fixed effects, or random effects. Before running the regression test, the regression model was tested. The findings from the regression analysis of the fixed effects model of this study. Using firm size as a control variable, the multiple regression test attempts to ascertain the impact of debt ratio, tangible asset ratio, board size, and board independence on ROA and ROE. The equation for the regression model is derived from the results of processing various regression statistics, especially:

$ROA_{it} = 6260.294 – 1.491631DR_{it} + 0.788071TANG_{it} + 13.78269BS_{it} + 10.58149BI_{it} – 427.3054FS_{it}$

$ROE_{it} = -28.49088 + 0.004872\ DR_{it} + 0.996601TANG_{it} – 0.047320\ BS_{it} – 0.041484BI_{it} + 1.917428\ FS_{it}$

Hypothesis Test (T-Test)

A significance level of 0.05 (α=5%) is used for hypothesis testing. If the probability value is greater than 0.05, the hypothesis is rejected (the regression coefficient is not significant), which means that the independent variables do not have a significant effect on the dependent variable. On the other hand, if the probability value is less than 0.05, the hypothesis is accepted (the regression coefficient is significant), which means that at least some of the independent variables have a significant effect on the dependent variable.

Table 4. Hypothesis test result

Model 1 Fixed Effect Model
Variable Dependent: Return on Asset

Variables	Coefficient	Prob	Hypothesis	Conclusion
C	6260.294	0.0000		
Debt Ratio	-1.491631	0.0000	Ha Accepted	Significant Effect
Tangible Asset	0.788071	0.8221	Ha Rejected	No Effect
Board Size	13.78269	0.0117	Ha Accepted	Significant Effect
Board Independences	10.581149	0.0189	Ha Accepted	Significant Effect
Firm Size	-427.3054	0.0000	Ha Accepted	Significant Effect

Model 2 Fixed Effect Model Variable Dependent: Return on Equity				
Variables	**Coefficient**	**Prob**	**Hypothesis**	**Conclusion**
C	-28.49088	0.0000		
Debt Ratio	0.004872	0.0000	Ha Accepted	Significant Effect
Tangible Asset	0.996601	0.0000	Ha Accepted	Significant Effect
Board Size	-0.047320	0.4826	Ha Rejected	No Effect
Board Independences	-0.041484	0.4557	Ha Rejected	No Effect
Firm Size	1.917428	0.0000	Ha Accepted	Significant Effect

DISCUSSION

Effect of Leverage Ratio on Return on Assets (ROA)

According to the research's test result, the debt ratio variable jas a prob value. Since a value as high as 0.0000 is less than α= 0.05, the debt ratio has an impact on ROA, the dependent variable. The coefficient value for the debt ratio variables is -1.491631. these findings lead to the test choice, which is to accept H_1. The study's findings suggest that the debt to leverage ratio has an impact on the financial performance as shown by ROA. The study's findings are consistent with tose of studies by Jati and Ulum (2016) an Kasasbeh (2021), which found that retun on asset (ROA) is impacted by the leverage ratio. This research supports that of Fauzy, Rakhmawati, Lestari, and Margaretha (2023), who found that the debt ratio significantly affects financial performance, including return on asset (ROA). Profitability can be raised by using debt in the proper amount. To make sure that the debt load does not impede the company's ability to generate revenue from its assets, companies must consider the percentage or proportion of debt utilized. Maintaining the company's financial stability and raising overall profitability need prudent debt management.

Effect of Leverage Ratio on Return on Equity (ROE)

The test results in this study indicate that the debt ratio variable has a probability value. Since this value is smaller than α = 0.05, which is 0.0000, then the debt ratio affects the dependent variable, namely return on equity (ROE). A value of 0.004872 is given to the debt ratio variable. The test decision was made, specifically to accept H2, based on these results. The findings of this study indicate that the debt ratio, a measure of leverage, affects return on equity (ROE), a financial performance metric. The research findings support those of Jati and Ulum (2016), Kasasbeh (2021), and Priyan et al (2024), who found that return on equity (ROE) is impacted by the leverage ratio. When appropriately managed and used to profitable investments, the debt ratio can have a beneficial impact return on equity (ROE). How well a firm manages its debt and how effectively it uses that debt to generate profits will have a significant impact on how the debt ratio affects ROE, in order to preserve profitability, companies must strike a balance between using debt for expansion and keeping the debt load at a manageable level.

Effect of Tangible Aseet Ratio on Corporate Financial Performance

As the tangible asset ratio variable has a prob. Value of 0.8221, which is higher than the α= 0.05 value, the test results in this study show that the tangible asset ratio has no effect on the dependent variable, which is ROA. According to the research results, the tangible asset ratio has a prob. Value of 0.0000, which is less than the α=0.05 value. This suggests that the tangible asset ratio influenes the dependent variable, which is ROE. For ROA and ROE, tangible asset ratio variable's coefficient value are 0.788071 and 0.996601 respectively. Because the dependent variable ROE has a prob. Value less than 0.05, a test decision is made based on these findings, namely to accept H_3. Regarding the impact of the tangible asset ratio on companies financial performance, which raises ROE, this study is consistent with research by Priyan et al (2024). The findings of this research also concur with those of Nguyen et al (2021) and Dinh and Pham (2020). Because of fixed

assets and the influence of other variables that can regulate this connection, tangible assets have no effect on ROA. Because of this, it is crucial for companies to consider other factors tht affect their financial performance in addition to this ratio. ROE is impacted by tangible assets, and the ratio of tangible assets has the ability to raise stock prices and investor confidence, which could raise ROE. Since the growth of fixed assets is dependent on the source of funding, it is recommended that businesses utilize more non-current tangible assets in order to enhance their financial health. As debt financing rises, fixed assets will also rise, which will enhance business performance. To optimize revenues and raise equity value for shareholders, businesses must prudently manage their fixed assets.

Effect of Board Size on Corporate Financial Performance

The research's test findings show that the board size variable has a prob. value of 0.0117, which is less than the $\alpha = 0.05$ value, indicating that board size affects the dependent variable, ROA. According to the study's test results, the board size variable has a prob. value of 0.4826, which is higher than the $\alpha = 0.05$ value and indicates that board size has no bearing on the dependent variable, ROE. The coefficient value of the board size variable is -0.047320 for the ROE variable and 13.78269 for the ROA variable. Because the dependent variable ROA has a prob value less than 0.05, a test decision is made based on these findings, namely to accept H_4. The study's findings are consistent with studies by Fariha et al. (2022) and Nayef et al. (2024) that demonstrate the impact of board size on return on assets (ROA). This study contradicts that of Palupi, Furqon, Lestari, and Margaretha (2023), who found no relationship between board size and ROA. The findings of Mattiara et al. (2020) and Prayanthi and Laurens (2020) that board size has no bearing on return on equity are also consistent with this study. Return on assets (ROA) is impacted by board size. Companies should consider their board structure to maximize the potential for financial performance because a larger board increases managerial oversight and different perspectives and contributes to improving the operational efficiency and profitability of the company. Board size has no effect on return on equity (ROE) indicating that although there is an effect of the board of directors on ROE, board size does not have the same impact. This shows that the quality of management and other factors are very important to determine the company's financial performance. Therefore, companies should concentrate on developing effective management rather than just paying attention to many board members.

Effect of Board Independence on Corporate Financial Performance

The research's test results show that the board independence variable has a prob. value of 0.0189, which is less than the $\alpha = 0.05$ value. This suggests that board independence influences the dependent variable, ROA. According to the study's test results, the board independence variable has a prob. value of 0.4557, which is higher than the $\alpha = 0.05$ value and indicates that board independence has no bearing on the dependent variable, ROE. The coefficient value of the board independence variable is -0.041484 for the ROE variable and 10.58149 for the ROA variable. Based on these results, a test decision is made, namely accept H_5 because the dependent variable ROA has a prob value smaller than 0.05. This research is in line with the research of Budikasi et al (2022) which states that board independence affects return on assets (ROA). This research is not in line with research from Nayef et al (2024) which says that board independence has no effect on ROA. Board independence affects return on assets (ROA) indicating that companies should consider their board structure to maximize their financial performance potential. Because the presence of independent commissioners on the board of directors allows for better supervision and fairer decision making and increases the efficiency of using company assets to generate profits. Return on equity (ROE) is unaffected by board independence. The findings of this study are consistent with studies by Widyasari and Maherni (2020) and Amelina et al. (2022), which claim that board independence has no bearing on return on equity (ROE). This study contradicts that of Nayef et al. (2024), who found no relationship between board independence and ROE. Board independence is expected to improve company performance through better supervision and the importance of quality management and effective business strategies in achieving financial goals.

Effect of Firm Size on Company Financial Performance

The test results in this study indicate that the firm size variable has a prob. value of 0.0000, this value is smaller than the $\alpha = 0.05$

value, so firm size has an effect on the dependent variable, namely ROA. The test results in this study indicate that the firm size variable has a prob. value of 0.000, this value is smaller than the α = 0.05 value, so firm size has an effect on the dependent variable, namely ROE. The board independence variable has a coefficient value of -427.3054 for ROA and has a coefficient value of 1.917428 for the ROE variable. Based on these results, a test decision is made, namely accept H_6. This research is in line with research from Susilawati and Novalia (2023) which says that firm size affects return on assets (ROA). Also in line with research from Putri et al (2024) which says that firm size affects return on equity (ROE) and is also in line with research from Ikram and Zainul (2023) which says that firm size affects return on assets (ROA) and return on equity (ROE). This research is not in line with research from Priyan et al (2024) and research from Jati and Ulum (2016) which say firm size has no effect on ROA and ROE. This research is also not in line with research from Fauzan et al (2024) which states that firm size has a negative effect on financial performance. Return on assets (ROA) is impacted by firm size. Larger businesses typically have higher investor confidence, economies of scale, and operational efficiency. Their capacity to make money out of their assets is boosted by each of these elements. Return on equity (ROE) is impacted by firm size. Larger businesses typically enjoy better investor confidence, greater operational efficiency, and broader access to resources. The management of the company should think about how to use size to enhance overall financial success.

CONCLUSSION AND RECOMMENDATION

CONCLUSION

Findings from a study that controls for firm size and looks at how various board characteristics—debt ratio, tangible assets, board size, and board independence—affect the financial performance of non-cyclical firms in Indonesia lead to the following conclusions: (1) The leverage ratio, which is derived from the debt ratio, affects return on assets (ROA). The higher the debt ratio, the more debt a company uses to fund its assets. If debt is utilized for profitable investments, this could be advantageous. However, interest costs can lower net income and, thus, ROA if debt is excessive. (2) Return on equity (ROE) is impacted by the leverage ratio as determined by the debt ratio. The corporation utilizes more debt to finance its assets when the debt ratio rises. Utilizing debt for profitable investments can raise net income, which can raise ROE. Interest expenses can impact ROE and net income if the debt load is excessive. (3) The impact of tangible assets on ROA is zero. Even when the business has a lot of physical assets, net income won't increase if they are not used effectively or productively. ROE is impacted by tangible assets. The company's ability to produce and sell can be increased by larger or more effective tangible assets. The ability of the business to make more money off of its assets will boost net income, which will raise ROE. (4) ROA is impacted by board size. A bigger board may be able to supervise management more successfully. The dean may make a more thorough assessment of management performance and business strategy with more members, which would boost operational effectiveness and profitability. ROE is not impacted by board size. Making decisions might be challenging when the board is overly big. The performance of the company may suffer if there are more members since communication may be less effective and decision-making may take longer. (5) ROA is impacted by board independence. Independent commissioners are able to oversee management more successfully. Strict oversight can help managers make more focused and effective decisions, which will improve the business's operational performance and net profit. ROE is unaffected by board independence. This suggests that an improvement in return on equity performance cannot be ensured by the independent commissioners' participation on the board of commissioners alone. To increase total financial performance, businesses must concentrate on a number of other aspects, such as managerial caliber and successful business plans. (6) ROA and ROE are impacted by firm size. Larger businesses typically have easier access to resources, such as money and technology. They can invest in lucrative ventures, boost net income, and ultimately raise ROA and ROE if they have greater resources. This suggests that the effective utilization of resources and shareholder profits are significantly influenced by the size of the company.

RECOMMENDATION

Based on these findings, several recommendations are proposed for different stakeholders. For future researchers, it is

advised to include other relevant variables that may affect financial performance in the non-cyclicals sector to obtain more comprehensive insights. For investors, it is recommended to conduct an in-depth analysis of the leverage ratio, the effective utilization of fixed assets, and board characteristics in non-cyclicals companies to understand their impact on financial performance, thereby enabling more informed and strategic investment decisions. Lastly, the government is encouraged to play an active role in regulating and guiding the non-cyclicals industry to enhance its financial performance, contributing to national economic stability and improving the welfare of society.

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