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The Influence of Company Size and Profitability on Stock Returns through Financial Sustainability in Consumer Goods Companies on the Indonesia Stock Exchange

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Abstract

Stock returns are the level of income that investors can enjoy from the investments they make. Positive returns will make investors interested in investing their funds in a company. This research aims to prove the effect of profitability and company size on stock returns through financial sustainability in consumer goods companies listed on the Indonesia Stock Exchange in 2018-2022. This research uses a sample of 39 companies based on the purposive sampling method. The data that has been collected is then analyzed using multiple linear regression analysis, and produces the conclusion that firm size and profitability have no effect on financial sustainability. Firm size does not affect stock returns while profitability and financial sustainability have a positive and significant influence on stock returns. Firm size and probability do not affect stock returns indirectly through financial sustainability.

Keywords: *Stock Return, Profitability, Company Size, Financial Sustainability.*

INTRODUCTION

Stock investment has emerged as a primary option for investors seeking lucrative returns in the contemporary era (Susilowati & Turyanto, 2011). The capital market serves as the primary venue for stock transactions, and the demand for stock investment is steadily rising due to growing recognition of the potential financial gains it offers. Despite its perceived danger, numerous investors view the capital market as a rather secure avenue to allocate their cash, particularly due to its appealing returns (Juliati, 2015).

Stock investment is commonly employed as a prolonged tactic, wherein investors anticipate the appreciation of their investment's worth over time. Furthermore, numerous individuals opt to allocate their funds in the stock market as a means of saving for the future, taking into account the potential gains that might assist in attaining their financial objectives (Saputra, 2018). Accessing precise and pertinent information about the firm you are investing in is a crucial factor when engaging in share investments. The provided information serves as the primary foundation for making investment decisions,

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enabling investors to assess firm performance, potential for growth, and the corresponding level of risk (Hati & Harefa, 2019).

Stock returns are a crucial factor that significantly influences investment strategies and is a key aspect for investors when assessing the performance of a company (Malintan & Herawati, 2013). Stock returns not only indicate the level of profitability a firm has achieved via its operations, but also offer a summary of the issuer's overall accomplishments (Puspitasari & Mildawati, 2017). According to Haryani & Priantinah (2018), stock return movements can serve as a significant indicator of issuer success. Within this particular framework, the enhanced performance of a company that issues stocks will be manifested by a rise in its stock returns. Enhanced company performance can lead to enhanced profitability and thus drive higher stock returns (Puspitasari & Mildawati, 2017).

Stock returns serve as a reliable indicator of both company success and the overall value of the company. According to Amova (2016), when stock returns increase in proportion, it has a beneficial effect on boosting the value of the company. Conversely, a drop in stock returns might have the opposite effect. Hence, organizations that issue shares regularly scrutinize their stock returns as this significantly influences the assessment of their financial well-being and appeal in the capital markets. When stock prices are too low, it is commonly seen as a sign of underperformance. Conversely, excessively high stock returns can impede investors' ability to enhance their returns further, so limiting their purchasing power (Susilowati & Turyanto, 2011). Modifications in a firm's fiscal status can have a substantial impact on stock returns. Financial reports are specifically created to enable consumers to recognize the connections between crucial factors that affect the value of a company (Arista & Astohar, 2012).

Factors that can impact stock returns encompass firm size and profitability (Putra & Dana, 2020). Company size, as measured by total company assets, offers insight into the magnitude or extent of a corporation by taking into account the quantity of assets, sales, and average sales. Putra & Dana (2020) argue that the total assets owned by a corporation can serve as an indicator of its size. The findings of the study done by Rochim & Ghoniyah (2017) indicate that there is a direct and statistically significant relationship between total assets and stock returns. Putra & Dana (2016) conducted research that yielded similar results, demonstrating a positive and significant correlation between total firm assets and stock returns.

Nevertheless, the research conducted by Yuliarti & Diyani (2018) reveals that the impact of total assets on stock returns is both negative and statistically negligible. The variation in outcomes could be attributed to the intricate interplay of various factors that impact the correlation between the size of a firm and its stock performance. This research emphasizes that while large organizations are often associated with high profits due to their significant market dominance, other factors such as operational efficiency and risk management also

contribute significantly to this association. According to Tommy & Saerang (2014), the size of a company, as indicated by its total assets, can impact its value and play a crucial role in attaining investment gains.

Profitability is a crucial metric that measures a company's capacity to make profits by effectively utilizing its available resources. Wijaya & Sedana (2015) assert that factors such as sales activities, cash, capital, number of employees, number of branches, and other variables significantly influence a company's profitability. The profitability ratio, as defined by Putra & Wiagustini (2014), is a metric used to evaluate a company's capacity to generate profits through the effective utilization of its resources and assets.

Return On Assets (ROA) is a measure commonly employed to assess a company's profitability. According to Anwaar (2016), ROA quantifies the ability of corporate management to effectively utilize its assets for income generation. A study done by Gunadi & Kesuma (2015) discovered that ROA has a favorable and substantial impact on stock returns. Nevertheless, the findings from Atidhira & Yustina's (2017) research indicate that the impact of ROA on stock returns can be both negative and statistically negligible. The variations in outcomes demonstrate the intricate nature of the variables that impact the correlation between a company's profitability and its stock performance.

By integrating an intervening variable—financial sustainability—that hasn't been taken into account in prior studies, the new study adds another dimension. According to Jordão & Almeida (2017), sustainability is the ability of an organization, particularly a business, to sustain its status over an extended period of time. Financial sustainability, as used in the financial context, describes a company's capacity to develop and sustain a varied resource base over time without needing outside funding or support (Zabolotnyy & Wasilewski, 2019). In order to manage financial risks over the long run, this involves the financial manager's ability to oversee and keep an eye on anticipated financial benchmarks.

A comparison of an organization's total expenses and the revenue it makes from its operations is another aspect of financial sustainability (Azarenkova et al., 2018). Financial sustainability is primarily comprised of two elements: income and expenses. According to Osazefua Imhanzenobe (2020), a financial sustainability score of greater than 100% indicates that the total income must exceed the total expenses incurred. Researchers can gain a better understanding of how a firm's financial sustainability influences the relationship between company size, including total assets, and stock returns by incorporating this variable into their studies. Financial sustainability, as an intervening variable, can offer more detailed information about the internal variables that attenuate the impact of firm size on stock performance. As a result, this study takes a more comprehensive approach by taking into account pertinent variables when determining the correlation between a company's stock returns and its size.

Based on the background description above, the formulation of the research problem is a) how does firm size affect financial sustainability in consumer goods companies listed on the IDX, b) how does profitability as proxied by ROA affect financial sustainability in consumer goods companies listed on the BEI, c) how does firm size affect stock returns in consumer goods companies listed on the BEI, d) how does profitability as proxied by ROA affect stock returns in consumer goods companies listed on the BEI, e) how does financial sustainability affect stock returns, f) how the influence of firm size on stock returns through financial sustainability in consumer goods companies listed on the BEI, and g) What is the influence of profitability as proxied by ROA on stock returns through financial sustainability in consumer goods companies listed on the BEI.

LITERATURE REVIEW

Company Size

According to Suwito & Herawati (2005), company size, also known as firm size, is a measurement used to categorize organizations based on different factors, including total assets, total sales, average sales, and total assets. From this standpoint, the size of a company is classified into three primary classifications: giant corporations, medium-sized enterprises, and small firms. Riyanto (2001) defines firm size as a parameter that indicates the magnitude of a company, which may be determined by considering factors such as total assets, total sales, average sales, and total assets. Brigham & Houston (2006) propose that company size can be quantified by calculating the average total net sales over a span of multiple years. Under these circumstances, if the revenue generated from sales exceeds both the variable expenses and fixed costs, the company will generate pre-tax profit. The size of a corporation has substantial ramifications, particularly in terms of the organization's ability to access financing markets. Small companies frequently encounter constraints when attempting to access structured financial markets for fundraising, whether through bonds or shares. Even if it were feasible to obtain such access, the expenses associated with issuing minor securities could be too burdensome. Hence, tiny enterprises may be required to meticulously determine the prices of their assets in order to entice investors seeking substantially elevated returns.

Profitability

Profitability refers to a company's capacity to generate earnings within a specific timeframe. Profitability measurements can be categorized into different indicators, including operating profit, net profit, return on investment or assets, and return on owner's equity (Sutama & Lisa, 2018). Profitability is a crucial metric for assessing the level of profit and determining the efficiency of a company's operations. The efficiency of a new firm can be determined by comparing the profits generated with the assets or capital that generate these earnings. The

Return on Assets (ROA) financial ratio is a useful metric for evaluating a company's profitability. The Return on Assets (ROA) is a financial metric used to assess a company's profitability. It is calculated by dividing the net profit by the average total assets (Almar et al, 2012). The ROA demonstrates a progressively superior performance due to the higher rate of return. The benefits of Return on Assets (ROA) include its ability to assess the overall effectiveness of capital utilization, taking into account all factors that impact the financial state of the organization. b) ROA enables a comparison of the company's position to the industry ratio, allowing for an assessment of whether the company is performing below, at par, or above the average. c) ROA can be utilized to assess the profitability of every individual product manufactured. d) ROA can be employed to assess the effectiveness of activities conducted by individual divisions and the utilization of divisional accounting. e) In addition to its utility for control purposes, ROA is also valuable for planning objectives.

Financial Sustainability

Financial sustainability refers to an organization's capacity to assess and balance all expenses, including financial expenditures such as interest payments on loans, with the revenue generated from its operations, such as income from bank interest. Financial sustainability comprises two components: costs and income. Financial sustainability is considered favorable when the value exceeds 100%, indicating that the overall income surpasses the whole incurred costs. The Financial Sustainability Ratio is a metric used to assess a bank's capacity to maintain long-term financial stability and performance. The Financial Sustainability Ratio (FSR) can be utilized to strategize current and future activities. (Oktoviyanti & Murwaningsih, 2023). The Financial Sustainability Ratio (FSR) is a metric used to evaluate the effectiveness of an organization. This ratio is utilized to ascertain the rate of growth for each period in order to assess the financial performance of the bank and evaluate whether it is effectively conducting its activities. The Financial Sustainability Ratio is a metric employed to assess the financial sustainability of a company in relation to its performance (Almilia & Shonhadji, 2009). In addition, it is also a recipient of additional capital. Financial sustainability serves as a benchmark for future planning and execution of activities. Financial sustainability has two fundamental elements: expenditures and revenue. Financial sustainability can be deemed favorable when the value exceeds 100%, indicating that the total income must surpass the whole expenses incurred. Financial sustainability is often linked to various concepts, including financial well-being, enduring financial performance, and long-term financial viability. Various international studies provide multiple definitions of financial sustainability. Financial sustainability is commonly regarded as having an inverse relationship with financial risk and financial suffering. Factors that frequently contribute to

financial sustainability might also inadvertently serve as catalysts for its reverse. (Imhanzenobe, 2020).

Stock returns

Stock return refers to the amount of profit that investors receive from their investments (Alexander & Destriana, 2013). Within the framework of capital market theory, the remuneration obtained by an investor through the trading of shares on the capital market (specifically, shares of companies undergoing initial public offerings) is commonly referred to as the rate of return. The stock market does not guarantee a fixed return for investors. Nevertheless, there are other elements of stock returns that facilitate investors in achieving profits, including dividends, bonus shares, and capital gains. The components of a return can be categorized into two types: current income, which refers to the income generated from an investment, and capital gains, which are the profits obtained from the difference in prices (Nathaniel & Sabeni, 2008). Current income refers to the profit derived from regular payments, such as interest earned from deposits and bonds. Termed as current income or cash income, this refers to gains that are typically received in the form of readily convertible cash or currency equivalents. For instance, bond interest coupons provide interest payments in the form of demand deposits or cheques, which can be easily converted into cash. Additionally, stock dividends are paid out in the form of shares, which can be converted into cash by selling the received shares (Pandaya et al., 2020). The second element of return is capital gain, namely the profits obtained from the disparity between the selling price and the purchase price of an investment instrument. Not all investment instruments necessarily yield a return in the form of either capital gain or capital loss. The magnitude of capital gains is highly contingent upon the prevailing market price of the investment instrument, indicating that the said instrument has been actively traded in the market. Trading inevitably leads to fluctuations in the value of an investment. Investments that have the potential to generate capital gains include bonds and shares, but investments such as deposit certificates and savings do not offer a capital gain return component.

Hypothesis

From all the descriptions above, the hypothesis of this research is "

H1: Firm size affects financial sustainability
H2: Profitability affects financial sustainability
H3: firm size affects stock returns
H4: profitability affects stock returns
H5: Financial sustainability affects stock returns
H6: Firm size influences stock returns through financial sustainability
H7: Profitability influences stock returns through financial sustainability

From all the descriptions above, a research conceptual framework was created. The following is an image of the research framework:

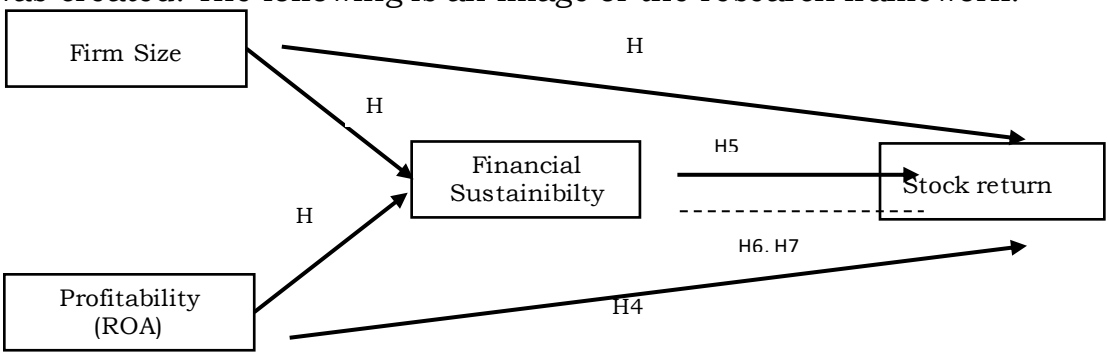

Figure 1 Conceptual framework of the research

METHOD

Associative research is used in this study to determine the relationship between two or more variables in the form of a causal relationship. A causal link is one that exists between independent and dependent variables. This study's strategy is descriptive with a quantitative approach (Sugiyono, 2011). Quantitative data is information in the form of numbers, such as stock prices, profitability, assets, and debt. The data source in this study is secondary data, which is data that is not directly provided but is obtained from documents published by the relevant company. This research sample comprises banking companies that have been consistently listed on the Indonesia Stock Exchange from 2018 to 2022. To guarantee that the relevant data was available, the researchers chose companies that consistently disclosed financial statistics and sustainability financial reports on the Indonesian Stock Exchange throughout the same time period. Only 39 of the 79 banking companies listed on the Indonesian Stock Exchange meet these requirements. This sample was chosen to investigate and assess the financial performance and sustainability policies of banking organizations for five years in a row, with the goal of acquiring a thorough understanding of the consumer goods sector's contribution to sustainable development from 2018 to 2022. SEM PLS analysis was utilized to collect data for this study. Where A structural equation model is Structural Equation Modeling (SEM). According to Jogiyanto and Abdillah (2009), PLS (Partial Least Square) is a variant-based structural equation analysis (SEM) that can assess measurement models as well as structural models at the same time. The measurement model is used to assess validity and reliability, while the structural model is used to test causality (using prediction models to test hypotheses).

RESULTS AND DISCUSSION

Validity test

Convergent validity of the measurement model can be seen from the correlation between the indicator scores and the variable scores. An

indicator is considered valid if it has an AVE value above 0.7 or shows that all outer loading dimensions of the variable have a loading value > 0.7

Table 1 Validity Test results

Variable	Indicator	Loading Factor	Rules	Status
Firm size	X1	1.000	0.7	Valid
Probitability	X2	1.000	0.7	Valid
Financial sustainability	Z	1.000	0.7	Valid
Stock Returns	Y	1.000	0.7	Valid

Data will be processed by researchers in 2023

Table 1 depicts the results of the validity test on four instruments, showing valid results because each instrument has an Average Variance Extracted (AVE) value of more than 0.7. Apart from that, the outer loading results in the table show that these variables have reached an outer loading value greater than 0.7. Therefore, it can be concluded that the indicators related to these variables are reliable and considered valid at the next stage of analysis. Outer loadings that meet this standard indicate that the indicators have a strong correlation with the variables, confirming the validity of the concept being measured.

Reliability Test

The next step, namely the internal consistency test, is carried out by calculating the composite reliability value with a value range of 0.6 to 0.7, and the expected Cronbach's alpha value is greater than 0.7. Reliability, according to Ghozali (2006), is a tool for assessing questionnaires as indicators of certain variables or constructs. A questionnaire is considered reliable or reliable if the respondent's answers to statements are consistent and stable over time. This test aims to measure accuracy, precision and consistency in measuring the construct or variable being studied. The results of the composite reliability and Cronbach's alpha data will provide an overview regarding the accuracy and consistency of the questionnaire in measuring the variable or construct being investigated:

Table 2 Reliability Test Results

Variable	Cronbach alpha	Composite Reliability	Status
Firm size	1.000	1.000	Reliable
Probitability	1.000	1.000	Reliable
Financial sustainability	1.000	1.000	Reliable
Stock Returns	1.000	1.000	Reliable

Data processed by researchers in 2023

The results of measuring reliability via composite reliability and Cronbach's alpha show that the regression coefficient for both methods is above 0.7. These findings strengthen the conclusion that the measurement indicators used in this research can be considered valid and have passed the reliability test well. The accuracy and consistency of the measuring instrument is reliable, indicating that the questions in the questionnaire provide consistent responses from respondents and can be considered as a reliable tool in measuring the variable or construct being studied.

Collinearity Test

The next stage, to determine the collinearity value, can be seen from the tolerance value expected to be > 0.2 and the Variance Inflation Factor (VIF) value < 5 (not serious problem) and > 10 (serious problem). The following are the results of the collinearity data:

Table 3 Collinearity Test Results

Variable	VIF	Status
Firm size	0.827	collinearity does not occur
Profitability	0.855	collinearity does not occur
Financial Sustainability	0.5	collinearity does not occur
Stock returns	0.5	collinearity does not occur

Data processed by researchers in 2023

Based on Table 3, the VIF value for each indicator is < 5 so it can be concluded that there is no collinearity between constructs.

Coefficient of Determination Test (R^2)

In this research, there are two endogenous latent variables that will have an R^2 calculation, namely stock returns and Financial Sustainability. The expected value of the Coefficient of Determination (R^2) is between 0 and 1, the closer it is to 1, the better the model will be. The following are the results of the Coefficient of Determination (R^2) test:

Table 4 Coefficient of Determination Test results

Variable	R Square	Adj. R Square
Financial Sustainability	0.022	0.019
Stock returns	0.072	0.069

Data processed by researchers in 2023

The R-Squared value for financial sustainability is 0.022 (2.2%), which means that the firm size, profitability and stock return variables are able to explain the financial sustainability variable by 2.2% and 97.8% are explained by other variables. Meanwhile, the R-Squared value for stock returns is 0.072 (7.2%), which means that the stock return variable is 7.2% explained by firm size, profitability and financial sustainability variables while the remaining 91.8% is explained by other variables. The R2 value is getting smaller, meaning that the ability of the independent variables to explain the dependent variable is quite limited (Ghozali, 2016).

Q-Square Test

The Q-square value is used to measure how well the observed values produced by the model and estimated parameters predict the original data values. If the Q-square value is greater than zero (0) then the exogenous variable is declared to have predictive relevance to the endogenous variable:

Table 5 Q-Square Test Results

Variable	Q^2
Financial Sustainability	0.029
Stock returns	0.084

Data processed by researchers in 2023

The Q-Squared value for financial sustainability is 0.028 and stock returns are 0.083, meaning that these variables have predictive value because Q2>0.

Patch Test Path Coefficients Direct Effect

The path coefficients test in model analysis is carried out by referring to the results of inner model testing, which aims to measure and assess whether a hypothesis can be accepted or rejected. This is done by paying attention to the significance values between constructs in the original sample, using T-statistics and P-Values as evaluation parameters.

Table 6 Path coefficients direct effect

Variable	T Values	P Values	Hypothesis
Firm size -> financial sustainability	0.092	0.030	Rejected
profitability->financial sustainability	0.110	0.070	Rejected
Firm size -> Stock return	0.002	0.511	Rejected
profitability -> Stock return	0.178	0,000	Accepted
Financial sustainability -> Stock returns	0.183	0.001	Accepted

Data processed by researchers in 2023

Based on table 6, the results of the Path Coefficients Direct Effect show that

1. Firm size does not have a significant influence on financial sustainability. Judging from the T-values test value of 0.092 < 1.68 and P-values of 0.030 > 0.05, so H1 is rejected
2. Profitability has no influence on financial sustainability. Judging from the T-values test value of 0.110 < 1.68 and P-values of 0.070 > 0.05, so H2 is rejected
3. firm size has no influence on stock returns. Judging from the test results, the T-values are 0.002 < 1.68 and the P-values are 0.551 > 0.05, so H3 is rejected
4. Profitability has a positive and significant influence on stock returns. Judging from the T test values 0.178 > 1.68 and P-values 0.000 < 0.05, H4 is accepted.
5. Financial sustainability has a positive and significant influence on stock prices. Judging from the T-values 0.183 > 1.68 and P-values 0.001 < 0.05, H5 is accepted.

Test Specifics Indirect Effect

This analysis aims to evaluate the indirect impact in research, by testing intervening variables as a link between the independent variable and the dependent variable. Intervening test results can be seen in the following table:

Table 7. Specific Indirect Effect

Variable	T Values	P Values	Hypothesis
Firm size -> stock return -> financial sustainability	0.014	0.392	Rejected
Profitability -> stock returns -financial sustainability	0.021	0.355	Rejected

Data processed by researchers in 2023

Based on the results of Table 8. it shows that firm size has no influence on stock returns through financial sustainability. Judging from the test results, the T-values are 0.014 < 1.68 and the P-values are 0.392 > 0.05, so H6 is rejected. Profitability has no influence on stock returns through financial sustainability. Judging from the test value, the T values are 0.021 < 1.68 and the P-values are 0.355 > 0.05, so H7 is rejected.

The Influence of Firm Size on Financial Sustainability

Based on table 6, it is found that the hypothesis is rejected where firm size has no effect on financial sustainability in consumer goods companies listed on the IDX. These results contradict research conducted by Nurhikmah & Rahim (2023) which states that company size (Size) has a positive and insignificant effect on the financial sustainability ratio (FSR) in National Private Commercial Banks, Non-Foreign Exchange for the 2013-2019 period.

Larger companies tend to have better access to capital markets and diverse financial resources, enabling them to build and maintain financial sustainability over a longer period of time. A large operational scale can create efficiencies in business activities, while greater bargaining power in the market can support diversification of income sources. As a result, company size can be considered a key factor in determining an entity's ability to achieve and maintain an optimal level of financial sustainability.

The Influence of Profitability on Financial Sustainability

Based on table 6, it is found that the hypothesis is rejected where profitability has no effect on financial sustainability in consumer goods companies listed on the IDX. This result contradicts the research results. Profitability has a positive and significant effect on the Financial Sustainability Ratio (FSR) in Sharia Banks in Indonesia. The greater the profitability measured using ROA, the greater the profits obtained. Companies must use their assets efficiently to generate higher profits. 198 Periodic profits have an important role in the continuity of the company and can influence the company's growth.

Companies that can maintain and increase their profitability tend to have more financial resources that can be used to face long-term challenges. High profitability also provides room for investment in initiatives that support sustainability, including the development of environmentally friendly technologies or corporate social responsibility activities. Therefore, good profitability can be considered a key factor in achieving and maintaining an optimal level of financial sustainability.

The Influence of Firm Size on Stock Returns

Based on table 6 above, it is found that firm size does not affect stock returns. These results contradict research conducted by Lesmana et al. (2021) which states that firm size has an influence on stock returns. Company size is used to measure the size of the company

using total assets, sales and company capital. The greater the total assets, sales and capital of the company, the greater the company's profits and this affects the size of the company. Company size is a reflection of the size of the company which is related to the opportunity and ability to enter the capital market and other types of external financing which shows the company's borrowing ability.

Large-scale companies are often the main choice for investors because they are considered attractive and stable. The large operational scale creates confidence that the company has the capacity to provide higher dividends to shareholders. This attraction results in increased investor interest in company shares, which in turn drives up share prices in the capital market. High confidence from investors and positive assessments in the market cause companies to be perceived as having higher value, creating an environment that supports long-term growth and sustainability.

The Effect of Profitability on Stock Returns

Based on table 6 above, it is found that profitability has a positive and significant value on stock returns. The results of this research are in accordance with research by Mariani et al (2016) which states that there is an influence between profitability and stock returns. Profitability is used to measure the company's rate of return or the company's effectiveness in generating profits by utilizing the equity owned by the company.

Company profitability has a significant direct impact on stock returns. The level of profitability reflects the company's ability to generate profits from its operations. Companies that have high profitability tend to attract investor interest because they are considered to have solid financial performance. Good financial performance, reflected in a high level of profitability, can generate profitable profits for shareholders. In investors' view, companies that are able to provide consistent and significant profits through their operations have the potential to provide better stock returns. Therefore, company profitability is a key factor in determining the level of attractiveness of shares and the potential return on investment for shareholders.

The influence of financial sustainability on stock returns

Based on table 6 above, it is shown that financial sustainability affects shares. These results are in accordance with research conducted by Gleißner et al, 2022) which states that financial sustainability has an effect on stock returns. Financial sustainability reflects an entity's ability to maintain and renew its financial resources over a long period of time. Companies that have a high level of financial sustainability tend to provide investors with confidence about long-term stability and growth. This can create a positive perception in the capital market, encourage share prices to rise, and provide better stock returns for shareholders. Therefore, financial sustainability not only creates a strong foundation for the continuity of company operations, but also

plays a key role in attracting investor interest and improving stock performance.

The Influence of Firm Size on Stock Returns Through Financial Sustainability

Based on table 7 above, it is found that firm size has no effect on stock returns through financial sustainability. While firm size is often considered an important indicator in predicting financial performance, differences in management practices and capital structures between firms may produce varying results. Second, external factors such as market conditions and industry trends can also play an important role. Small companies that may be more flexible in dealing with market changes can earn significant stock returns, even if they are relatively small in size. In addition, differences in dividend policy, cost structure, and financial resources can have a significant impact on the relationship between company size, financial sustainability, and stock returns. Therefore, complexity in the business environment and variations in company strategies can explain the indifference of company size to stock returns through financial sustainability.

The effect of profitability affects stock returns through financial sustainability

Based on table 7 above, it is found that profitability has no effect on stock returns through financial sustainability. The lack of influence of company size on stock returns through financial sustainability can be caused by several factors. First, although firm size is often considered an important indicator in predicting financial performance, differences in management practices and capital structures between firms may produce varying results. Second, external factors such as market conditions and industry trends can also play an important role. Small companies that may be more flexible in dealing with market changes can earn significant stock returns, even if they are relatively small in size. In addition, differences in dividend policy, cost structure, and financial resources can have a significant impact on the relationship between company size, financial sustainability, and stock returns.

CONCLUSION

The findings of this study offer a somewhat unambiguous depiction of the correlation between the factors examined. Initially, the size of a corporation (sometimes referred to as firm size) does not exhibit a noteworthy effect on financial sustainability. Similarly, profitability does not exert a substantial influence on financial sustainability. These findings indicate that additional factors may have a more significant impact on a company's financial sustainability, irrespective of its size and profitability. Moreover, the size of a company does not exert a substantial impact on stock returns, highlighting the intricate nature of the factors that affect stock performance in the capital market.

Profitability has a positive and considerable impact on stock returns, indicating that strong financial performance is crucial for drawing investor attention. Furthermore, empirical evidence demonstrates that financial sustainability has a favorable and substantial influence on stock prices, suggesting that the market acknowledges the enduring worth of a company's financial sustainability. However, when considering financial sustainability as an intervening variable, there is no substantial impact on stock returns. These conclusions offer significant insights into comprehending the dynamics of capital markets and the intricate connections between various corporate financial aspects.

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