The Effect of Company Behavior on Financial Success in Manufacturing in Banten Province

Mohamad Safii[1], Tasya Aspiranti[2*], Nunung Nurhayati[3], Ima Amaliah[4]

[1] Student, Doctor of Management Program, Faculty of Economics and Business, Bandung Islamic University, Bandung West Java, Indonesia
[2]Lecturer, Management Program Faculty of Economics and Business, Pamulang University, South Tangerang, Indonesia
[2,3,4]Lecturer, Doctor of Management Program, Faculty of Economics and Business, Bandung Islamic University, Bandung West Java, Indonesia
[*] Corresponding Author :
Email: dosen01486@unpam.ac.id

Abstract.

This study explores the influence of firm behavior regarding financial performance in manufacturing companies located in Banten Province during the period 2021–2024. Employing a numerical approach and Structural Equation Modeling (SEM) with a covariance-based method, the research examines the influence of three behavioral dimensions—transformational leadership, organizational culture, and managerial strategy—regarding essential financial metrics such as ROA, ROE, and NPM. The findings reveal that overall firm behavior exerts a substantial beneficial impact on financial performance, confirmed by strong goodness-of-fit indicators. Further analysis indicates that transformational leadership, organizational culture, and managerial strategy each contribute meaningfully to financial outcomes. These findings highlight the critical role of behavioral factors in enhancing profitability and competitiveness. The study offers theoretical contributions to behavioral governance literature and practical implications for leadership development, cultural alignment, and adaptive strategic management in dynamic market environments. Limitations include regional scope and reliance on secondary data future research should employ longitudinal and cross-industry designs for broader generalizability.

Keywords : *Firm behavior; financial performance; leadership; managerial strategy; organizational culture; npm; roa and roe.*

I. INTRODUCTION

One of the strategic industries that helps Indonesia's economy is the manufacturing sector. It is a major driver of GRDP and job in Banten Province. Global competition, however, forces businesses to depend on adaptive organizational behavior in addition to technology and capital. Financial performance is thought to be influenced by firm behavior—that is, leadership, organizational culture, and management approach. Although earlier studies show favorable relationships between managerial methods and profitability, research explicitly looking into Banten is limited, thus this study hopes to close a void. Recent research also highlights behavioral and ESG elements in molding corporate results [1]. Corporate behavior (firm behavior) too has a major impact on a firm's tax responsibilities. This supports Razen, M. and Kupfer, A.'s 2023 conclusions, which show tax transparency on consumer and corporate conduct indicates only 26% of firms engaged in tax avoidance decide to comply and pay [2].Growing out of the developing theoretical and empirical base, firm behavior in relation to ESG and sustainable growth has grown more pertinent in contemporary corporate governance debate. Behavioral elements like managerial overconfidence, risk aversion, ethical leadership, and organizational learning greatly affect financial results and sustainability performance in manufacturing companies. found that ESG, overall, has a beneficial effect on the company value and profitability [3]. Corporate behavior offers inside economic incentives in setting policies and decisions to keep operational sustainability and workforce productivity during the epidemic [4].

Note in their conclusions that corporate conduct is quite important in supporting funding decision-making [5]. The findings on corporate conduct in Turkey [6] show that in the setting of macroeconomic

volatility, credit expansion tends to change corporate behavior away from productive activities toward speculative and short-term financial activities. Palacin-Bossa et al. (2024) found in their research that ESG methods have a very strong impact on corporate reputation however, they do not show a significant relationship with financial using metrics for financial performance such as ROA and ROE [7].**The state of the art** of this study is grounded on current literature pointing to the effect of corporate behavior and and the effect of ESG on financial outcomes. link managerial behavior to innovation and profitability [8], emphasize the role of ESG on firm value [9]. Most of these research, however, concentrate on developed nations or the worldwide context rather than on the Indonesian manufacturing sector. Furthermore rare are investigations including internal behavioral dimensions leadership, organizational culture, and managerial strategy into the measurement of financial performance (ROA, ROE, NPM) in the post-pandemic time. By filling this **gap** through a quantitative approach based on the most recent data (2021–2024) in Banten Province, this study provides originality and adds a theoretical contribution to the literature on behavioral governance and practical implications for organizational adaptation in the age of global competition.

II. METHODS

Design and Implementation Approach

The present research employs a statistical method with a causality research structure.This method is a utilizing secondary financial data and primary survey data to test the hypothesized relationships between firm behavior constructs and financial performance. The method follows the Logico-Hypothetico-Verificative paradigm, moving from theoretical framework development to hypothesis testing and empirical verification.

Research Population and Sampling Method

1. Companies must be classified in the manufacturing sector.
2. Companies must have complete and published financial reports for the period 2021-2024.
3. Companies must be accessible for the distribution of the firm behavior questionnaire to upper or middle management.

Based on these criteria, a final sample of 50 manufacturing companies was obtained for analysis.

Data Types and Sources

- Primary Data: Collected through a structured questionnaire designed to measure the latent constructs of Firm Behavior. The survey instrument adopted a 5-point Likert scale (1 = Strongly Disagree; 5 = Strongly Agree) and was distributed among the selected sample using a systematic approach. to managers.
- Secondary Data: Sourced from the companies' published annual financial reports on the IDX for the years 2021-2024 to calculate financial performance indicators.

Variable Definition and Measurement

Independent Latent Variable: Firm Behavior (ξ_1)

This variable is measured by three indicators (observed variables):

- Transformational Leadership (X_1): Measured by the average score from questionnaire items related to inspirational motivation, intellectual stimulation, and idealized influence.
- Organizational Culture (X_2): Measured by the average score from questionnaire items related to shared values, norms, and practices that enhance operational efficiency.
- Managerial Strategy (X_3): Measured by the average score from questionnaire items related to adaptive, data-driven strategic planning and implementation.

Dependent Latent Variable: Financial Performance (η_1)

This variable is measured by three indicators (observed variables), calculated as the average of the 2021-2024 data to smooth out short-term fluctuations:

- ROA (Y_1) represents the ratio of Net Income to Total Assets.
- Return on Equity (ROE) (Y_2): The ratio of net income to shareholders' equity.
- Net Profit Margin (NPM) (Y_3): The ratio of net income to total revenue.

Data analysis was conducted using Structural Equation Modeling (SEM) was conducted using the Covariance-Based SEM (CB-SEM) approach, with the assistance of SPSS and AMOS software. The analysis was carried out using a two-step procedure:

Measurement Model Evaluation (Confirmatory Factor Analysis - CFA): Conducted to examine the validity and reliability of the constructs. Structural Model Evaluation: To evaluate the causal hypotheses and assess the overall model fit.

III. RESULT AND DISCUSSION

Basic Statistical Description

The descriptive statistics for the observed variables are presented in Table 1. The data shows a reasonable variation in both the firm behavior scores and financial performance metrics across the sampled companies.

Table 1. Descriptive Statistics of Observed Variables (N=50)

Variable	Mean	Std. Deviation	Min	Max
Transformational Leadership (X_1)	4.02	0.51	3.12	4.94
Organizational Culture (X_2)	4.07	0.58	3.03	4.96
Managerial Strategy (X_3)	4.18	0.52	3.02	5.00
ROA (Y_1)	8.45	3.89	2.15	14.97
ROE (Y_2)	15.72	6.21	5.01	24.64
NPM (Y_3)	11.87	5.24	3.11	19.44

Measurement Model (Outer Model) Evaluation

Prior to testing the structural model, the measurement model was evaluated for convergent validity, discriminant validity, and composite reliability.

Convergent Validity and Reliability

Convergent validity is verified when the factor loadings, Average Variance Extracted (AVE), and Composite Reliability (CR) satisfy the recommended criteria. As indicated in Table 2, all factor loadings are greater than 0.70, AVE values exceed 0.50, and CR values are above 0.70, thereby confirming robust convergent validity and reliability of the constructs.

Table 2. Evaluation of the Measurement Model Results

Construct	Indicator	Factor Loading	AVE	Composite Reliability (CR)
Firm Behavior (ξ_1)	X_1: Transformational Leadership	0.84	0.68	0.86
	X_2: Organizational Culture	0.82		
	X_3: Managerial Strategy	0.81		
Financial Performance (η_1)	Y_1: ROA	0.88	0.74	0.89
	Y_2: ROE	0.85		

Construct	Indicator	Factor Loading	AVE	Composite Reliability (CR)
	Y_3: NPM	0.86		

DiscriminantValidity

Discriminant validity was evaluated using the Fornell–Larcker criterion. The square root of the AVE for each construct (represented by the diagonal values in Table 3) exceeds its correlations with other constructs, thereby confirming that the constructs are sufficiently distinct from one another.

Table 3. Asessment of Discriminant Validity Using the Fornell–Larcker Criterion

Construct	Firm Behavior	Financial Performance
Firm Behavior	**0.82**	
Financial Performance	0.65	**0.86**

Note: The diagonal elements (highlighted in bold) represent the square root of the Average Variance Extracted (AVE).

Structural Model (Inner Model) and Hypothesis Testing

After establishing a valid and reliable measurement model, The structural model was assessed, and its goodness-of-fit indices are reported in Table 4. The findings demonstrate that the proposed model exhibits an acceptable fit to the data.

Table 4. Model Fit Indices Assessment for the Structural Model

Fit Index	Cut-off Value	Model Result	Evaluation
Chi-Square/df	< 3.0	1.89	Good
CFI (Comparative Fit Index)	> 0.95	0.96	Good
TLI (Tucker-Lewis Index)	> 0.95	0.95	Good
RMSEA (Root Mean Square Error of Approximation)	< 0.08	0.06	Good
SRMR (Standardized Root Mean Square Residual)	< 0.08	0.05	Good

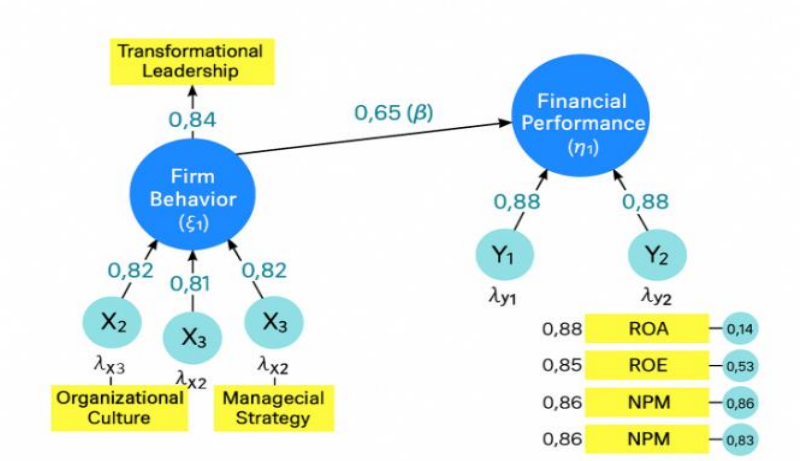
Table 5. Findings from Hypothesis Testing

Hypothesis	Relationship	Path Coefficient (β)	t-Statistic	p-value	Conclusion
H1	Firm Behavior → Financial Performance	0.65	6.84	**0.000	Supported
H2	Transformational Leadership → Financial Performance	0.32	3.45	0.001	Supported
H3	Organizational Culture → Financial Performance	0.28	2.98	0.003	Supported

Hypothesis	Relationship	Path Coefficient (β)	t-Statistic	p-value	Conclusion
H4	Managerial Strategy → Financial Performance	0.36	4.12	0.000	Supported

**Note: p < 0.001

Path Model Showing Standardized Estimates



IV. CONCLUSION

The results of hypothesis testing indicate that all proposed hypotheses were supported by the data relationships (H1–H4) demonstrate statistical significance.

H1 (Firm Behavior → Financial Performance): With a path coefficient of β = 0.65, this finding confirms that overall firm behavior is a major determinant of financial performance. Companies that exhibit strong leadership, a positive organizational culture, and adaptive managerial strategies tend to achieve higher profitability and efficiency.

H2 (Transformational Leadership → Financial Performance): The coefficient of β = 0.32 suggests that transformational leadership significantly contributes to financial outcomes. Leaders who inspire and motivate employees foster innovation and strategic decision-making, which positively impacts ROA, ROE, and NPM.

H3 (Organizational Culture → Financial Performance): With β = 0.28, a strong and positive organizational culture enhances operational efficiency and creates a productive work environment, reducing internal conflicts and improving profitability.

H4 (Managerial Strategy → Financial Performance): The highest coefficient among the indicators (β = 0.36) shows that adaptive, data-driven managerial strategies exert the strongest influence on financial performance. Firms that respond quickly to market changes and optimize resources are more likely to achieve superior financial results.

Overall, these findings reinforce the theoretical framework that internal behavioral dimensions are not merely organizational factors but key drivers of financial success. Practically, managers should prioritize leadership development, cultural strengthening, and strategic adaptability to enhance financial outcomes.

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ORCiD ID: (PROF. DR. TASYA ASPIRANTI) https://orcid.org/0000-0002-7831-1939
ORCiD ID: (PROF. DR. NUNUNG NURHAYATI) https://orcid.org/0000-0002-7390-4700
ORCiD ID: (PROF. DR. IMA AMALIAH) https://orcid.org/0000-0003-1051-3590

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