

INTERNAL DETERMINANTS OF FINANCIAL PERFORMANCE: EVIDENCE FROM KOREAN LISTED FIRMS

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Abstract

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This study examines the internal determinants of financial performance among firms listed on the Korean stock market. Using a comprehensive panel of 682 companies with 9,168 firm-year observations from 2012 to 2024, we analyze how firm size, liquidity, capital structure, profitability, and sales growth influence performance measured by return on assets (ROA) and return on equity (ROE). The findings reveal that all examined internal factors are positively and significantly associated with financial performance. Larger firms and those with stronger liquidity positions tend to achieve higher profitability, highlighting the importance of scale and prudent working capital management. A moderate use of debt is found to enhance performance, suggesting that an effective capital structure can generate tax and investment advantages. In addition, higher gross profit margins and stronger sales growth consistently improve both ROA and ROE, underscoring the role of operational efficiency and expansion strategies. This study contributes to the corporate governance and financial performance literature by providing updated and large-sample evidence from Korea, a major Asian market, and by jointly examining multiple internal governance-related financial indicators within a unified framework (Xu et al., 2019). The results offer practical implications for managers, investors, and policymakers seeking to enhance firm value through sound financial and governance decisions.

Keywords: Korean Stock Markets, Financial Performance, Internal Factors, Capital Structure

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1. INTRODUCTION

In a competitive environment, maintaining strong financial performance is crucial for the sustainable development of publicly traded companies (Khan, 2025; Shaban & Zarnoun, 2024; Yamani et al., 2025). High financial performance is beneficial as it drives stock prices up and generates resources for long-term investments, guaranteeing future firm growth. As a result, studies in market finance have paid

particular attention to financial performance and its determinants (Debnath et al., 2024; Mansour et al., 2026; Mehmetaj & Hajdari, 2025). In capital markets, performance indicators such as return on assets (ROA) and return on equity (ROE) are widely used to evaluate operational effectiveness and capital utilization. For an advanced and export-oriented economy such as South Korea, understanding the drivers of listed firms' financial performance is particularly important for both corporate governance

and market stability. This research examines factors influencing financial performance, specifically for Korean listed companies from 2000 to 2024.

Extant studies have explored key determinants of financial performance. Seissian et al. (2018) state that firm size, sales growth, and capital structure participate in determining the financial performance of about 200 United States (US)-listed firms. According to Liu et al. (2022), key factors affecting Chinese firms' financial performance are liquidity, capital structure, and profitability. Analyzing about 750 Vietnamese companies, Nguyen and Nguyen (2025) point out that revenue growth and firm size can promote financial performance. Regarding the Korean stock market, Cho et al. (2019) document that corporate social responsibility significantly increases profitability, whereas Xu et al. (2019) emphasize the importance of research, development, and advertising. Existing research has largely concentrated on specific dimensions such as corporate social responsibility or research and development (R&D), rather than providing a comprehensive assessment of core internal financial determinants. Moreover, many prior studies rely on relatively small samples or short time horizons, limiting the generalizability of their findings.

This study aims to fill these gaps by examining the potential associations and interactions between financial performance and various internal factors. This paper investigates these hypotheses within the context of the Korean market, a significant Asian stock market that provides a high-quality and informative dataset. We utilize a much longer sample of high-frequency data than is typically found in existing literature. After analyzing nearly 9,200 observations of Korean firms over multiple years, we found that several internal factors significantly affect the financial performance of listed companies in Korea. Specifically, firm size, current ratio, capital structure, profit margin, and sales growth positively impact financial performance, as measured by ROA and ROE.

The key contributions of this study are outlined as follows. Firstly, it evaluates the impact of internal factors on financial performance in Korea. The primary internal factors considered are firm size, current ratio, capital structure, and profit margin, besides corporate social responsibility (Cho et al., 2019), and R&D (Xu et al., 2019). Secondly, the research used a large sample size of listed enterprises on the Korean stock market, enhancing its representativeness for Korea. In contrast to previous studies, which included only 191 Korean firms (Cho et al., 2019) and 589 firms from 2012 to 2016 (Xu et al., 2019), this study utilizes a significantly larger dataset. Thirdly, it analyzes the relationships of cross-dependence among listed enterprises. This is particularly relevant when companies operate under similar macroeconomic conditions and adhere to the same securities regulatory framework. Lastly, the findings offer valuable insights for business managers, government agencies, and investors, helping them better understand the corporate governance landscape in the Korean stock market amidst rapid economic changes and increasing international integration.

The article is structured as follows. In Section 2, the literature review is presented. In Section 3, the data sample and methodology are

explained. In Section 4, empirical findings and robustness tests are summarized. In Section 6, the conclusion is described.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

A company's financial performance serves as a gauge for both its current growth and future potential. While numerous indicators exist for assessing financial performance, selecting suitable ratios is contingent upon the study objectives. Two of the most often utilized ratios to assess company performance are ROA and ROE. To illustrate, a stream of papers uses ROA and ROE to measure the firm's financial performance, such as Madaleno and Barbuta-Misu (2019), Le Thi Kim et al. (2021), Ahinful et al. (2023), Nguyen and Nguyen (2025), Nguyen and Nguyen (2025). ROA refers to the effectiveness of total assets, whereas ROE reflects the capacity to use the firm's equity.

Although various papers investigating the determinants of financial performance have been conducted, their results differ among nations and sample periods. Several academics focus on how financial performance is affected by the company's internal factors, such as firm size, liquidity, capital structure, profitability, and sales growth.

The relationship between firm size and financial performance is theoretically interesting but empirically inconclusive. Larger firms are often expected to benefit from economies of scale, stronger bargaining power, broader market access, and greater diversification opportunities, all of which can enhance profitability and reduce operational risk. Additionally, larger firms typically have better access to external financing at lower costs due to reduced information asymmetry and higher creditworthiness, which can further support their financial performance. However, increasing firm size can also lead to organizational complexity, bureaucratic inefficiencies, and agency problems that may negate these advantages. As firms grow, coordination costs and managerial slack can increase, potentially weakening operational efficiency and profitability. While Seissian et al. (2018) and Cho et al. (2019) found that firm size negatively impacts financial performance, Han et al. (2016), Dahmash et al. (2021), and Ahinful et al. (2023) reported a positive association, aligning with the economies-of-scale and resource-based views. In our first hypothesis, we examine the effect of company size on the financial performance of listed firms in Korea, contributing to the mixed empirical findings documented in the literature.

H1: The firm size positively impacts Korean listed firms' financial performance.

The ability of corporations to meet their short-term financial obligations can be ascertained using liquidity ratios, according to Le Thi Kim et al. (2021). Liquidity signifies that for each dollar of short-term debt a firm holds, an equal amount of current assets is available for payment. Since the inability to satisfy obligations on time results in a negative credit rating from lenders, a decline in market growth value, and a reduction in the ability to raise capital in the future, liquidity is essential to a company's health. Additionally, capital is the foundation of a strong financial performance. Consequently,

working capital management heavily relies on liquidity, measured by the current ratio. The significant positive influence of the current ratio on financial performance is found by Le Thi Kim et al. (2021), Liu et al. (2022), and Nguyen and Nguyen (2025). Then, the second hypothesis is:

H2: The current ratio positively impacts Korean listed firms' financial performance.

Capital structure, commonly proxied by leverage ratios, plays a central role in shaping a firm's financial flexibility and risk profile. However, the empirical relationship between capital structure and financial performance remains mixed and theoretically contested. From a risk-based perspective, higher leverage may deteriorate financial performance. Debt increases fixed interest obligations, raises the probability of financial distress, and may constrain managerial discretion in investment decisions. Empirical studies such as Han et al. (2016), Xu et al. (2019), and Nguyen and Nguyen (2025) report a negative association between leverage and firm performance. Similarly, Ullah et al. (2020) and Nazir et al. (2021) find that firms with higher debt ratios tend to experience lower profitability, suggesting that distress costs and agency conflicts between shareholders and creditors may outweigh potential benefits.

Conversely, other studies provide evidence of a positive relationship. Consistent with trade-off and agency theories, moderate debt can create tax shields and discipline managers by reducing free cash flow problems. Cho et al. (2019), Liu et al. (2022), and Mallinguh et al. (2020) document that leverage enhances firm performance, implying that debt may function as an efficient governance mechanism and a strategic financing tool when used at optimal levels.

These conflicting findings suggest that the impact of capital structure on financial performance is not uniform but likely depends on firm-specific characteristics and institutional settings. In the context of Korean-listed firms, where debt accounts for approximately 28% of total resources, leverage appears to be maintained at a moderate level, potentially reflecting a balanced financing strategy. However, whether this level of debt enhances or constrains performance remains an empirical question. This study aims to re-examine the relationship between capital structure and

financial performance within the Korean market, where prior evidence is limited and inconclusive. As a result, we propose the third hypothesis:

H3: The capital structure positively impacts Korean listed firms' financial performance.

Profitability assesses how effectively a company's management generates profits from sales, total assets, and long-term investments. The relationship between profitability ratios and financial performance evaluation is of interest to stakeholders. A higher profit correlates with better financial performance (Liu et al., 2022; Ahinful et al., 2023).

H4: The profitability ratio positively impacts Korean listed firms' financial performance.

One indicator of a company's past success is a high growth in revenue, which may also be used to forecast future developments. It partially demonstrates the company's ability to increase its market share or introduce innovative products. Corporations benefit from high sales, particularly when it comes to making profitable investments in fixed assets. Sales growth is frequently accompanied by improvements to the company's reputation and brand positioning, which boost its financial results. Hence, the significant positive relationship between sales growth and financial performance is well documented in Seissian et al. (2018), Le Thi Kim et al. (2021), and Nguyen and Nguyen (2025).

H5: The sales growth positively impacts Korean listed firms' financial performance.

3. METHODOLOGY

3.1. Data sample and variable construction

We gather accounting data for all Korean companies listed on the Korea Stock Exchange between 2012 and 2024 using the Capital IQ database. Following the adoption of International Financial Reporting Standards (IFRS), the Korean government required that listed firms produce their financial reports using the new accounting standards in 2011. Consequently, we selected 2012 as the starting year for our analysis. Our sample comprises 9,168 firm-year observations for 682 listed companies from 2012 to 2024. Then, dependent and explanatory variables are constructed following Table 1.

Table 1. Variable construction

Variable	Symbol	Calculation	Hypothesis
Dependent variables			
Return on assets	ROA	Net profits / total assets	
Return on equity	ROE	Net profits / book value of equity	
Explanatory variables			
Firm size	Size	The logarithm of total assets	H1
Current ratio	Curr	Current assets / current liabilities	H2
Capital structure	CS	$\frac{\text{Total liabilities}}{\text{Total liabilities} + \text{Book value of equity}}$	H3
Gross profit margin	GP	Gross profits/sales	H4
Sales growth	SG	$\frac{\text{Sales}_t - \text{Sales}_{t-1}}{\text{Sales}_{t-1}}$	H5

Source: Authors' elaboration.

3.2. Model specification

To probe internal determinants of Korean listed firms' financial performance, we perform the following regressions:

$$ROA_{it} = \beta_0 + \beta_1 Size_{it} + \beta_2 Curr_{it} + \beta_3 CS_{it} + \beta_4 GP_{it} + \beta_5 SG_{it} + \varepsilon_{it} \quad (1)$$

$$ROE_{it} = \beta_0 + \beta_1 Size_{it} + \beta_2 Curr_{it} + \beta_3 CS_{it} + \beta_4 GP_{it} + \beta_5 SG_{it} + \varepsilon_{it} \quad (2)$$

Panel data methods are employed because the dataset consists of multiple firms observed over time (682 firms from 2012–2024), allowing the analysis to exploit both cross-sectional and time-series variation. Compared with pure cross-sectional or time-series approaches, panel regression improves estimation efficiency, increases degrees of freedom, and enables control for unobserved firm-specific heterogeneity that may bias the results. This study employs panel data regression methods for analysis, including pooled ordinary least squares (OLS), fixed effects model (FEM), and random effects model (REM). Specifically, the FEM controls for time-invariant firm characteristics, while the REM assumes such effects are random and uncorrelated with the regressors. To select the appropriate model for the research sample, we utilize the F-test, the Breusch-Pagan Lagrange multiplier test, and the Hausman test.

Panel data commonly exhibit heteroskedasticity and autocorrelation, which violate classical OLS assumptions and lead to inefficient and biased standard errors. After detecting these issues using the Wald and Wooldridge tests, the feasible generalized least squares (FGLS) method is applied to correct for heteroskedasticity and serial correlation. FGLS provides more efficient and reliable coefficient estimates under such conditions, thereby ensuring the robustness of the empirical results. Data analysis is conducted using STATA version 16.

4. RESULTS AND DISCUSSIONS

4.1. Descriptive analysis

Table 2 shows descriptive statistics of dependent and explanatory variables, focusing on financial performance, firm size, current ratio, capital structure, gross profit margin, and sales growth. The average *ROA* and *ROE* of the sample Korean firms are 4.53% and 7.76%, respectively, revealing their financial efficiency. The significant disparity between the lowest and highest values demonstrates the significant difference in financial performance among companies.

Regarding the internal characteristics of corporations, the average size is 15.368, corresponding to an average total asset of about \$4.7 million. The average current ratio is approximately 2.5, meaning the average current assets are 2.5 times the current liabilities. In other words, most Korean-listed firms maintain positive working capital. The *CS* and *GP* variables show that 28.54% of capital comes from debt, and gross profit accounts for 27% of sales. The average sales growth is close to 10%, indicating a period of strong economic growth.

Table 2. Descriptive statistics

Variable	Mean	Std. dev.	Min	Max	Observations
<i>ROA</i>	0.0453	0.1650	-0.4693	0.5120	9,168
<i>ROE</i>	0.0776	0.2341	-0.6952	0.7946	9,168
<i>Size</i>	15.368	1.593	10.853	22.696	9,168
<i>Curr</i>	2.539	3.885	0.032	47.465	9,168
<i>CS</i>	0.2854	0.2067	0.0000	0.8347	9,168
<i>GP</i>	0.2694	0.2375	-0.8404	0.8173	9,168
<i>SG</i>	0.0997	0.3435	-0.9986	2.9900	9,168

Source: Authors' elaboration.

Table 3. The correlation matrix

Variable	<i>ROA</i>	<i>ROE</i>	<i>Size</i>	<i>Curr</i>	<i>CS</i>	<i>GP</i>	<i>SG</i>
<i>ROA</i>	1	-	-	-	-	-	-
<i>ROE</i>	0.7505	1.0000	-	-	-	-	-
<i>Size</i>	0.1733	0.1752	1.0000	-	-	-	-
<i>Curr</i>	0.1047	0.1482	-0.0999	1.0000	-	-	-
<i>CS</i>	0.1834	0.2420	0.1800	-0.3718	1.0000	-	-
<i>GP</i>	0.2209	0.1691	-0.0747	0.1525	-0.2231	1.0000	-
<i>SG</i>	0.2323	0.1730	-0.0177	-0.0248	0.0009	0.1099	1.0000

Source: Authors' elaboration.

Table 4. Variance inflation factor (VIF) results

Variable	<i>ROA</i>		<i>ROE</i>	
	VIF	1 / VIF	VIF	1 / VIF
<i>Size</i>	1.23	0.8154	1.23	0.8154
<i>Curr</i>	1.17	0.8546	1.17	0.8546
<i>CS</i>	1.07	0.9311	1.07	0.9311
<i>GP</i>	1.04	0.9650	1.04	0.9650
<i>SG</i>	1.01	0.9858	1.01	0.9858
Mean VIF	1.10		1.10	

Source: Authors' elaboration.

The correlation matrix is shown in Table 3. Correlation is positive between the *ROA* and firm size, current ratio, capital structure, gross profit margin, and sales growth on the other side. On the other hand, there is also a significant correlation between *ROE* and all independent variables. Multicollinearity may occur if the correlation

coefficient between two independent variables is higher than 0.5, according to Nguyen and Nguyen (2025). All pairs of explanatory variables have low correlation levels, indicating that multicollinearity is absent. However, we also perform a VIF test to guarantee the rigor between explanatory factors. As displayed in Table 4, all of the variables' VIF coefficients, ranging from 1.01 to 1.23, are less than 5, rejecting the multicollinearity problem.

4.2. Model selection

We select the appropriate model by running the F-test, Breusch-Pagan Lagrange multiplier, and Hausman tests. According to Table 5, the Prob. of the F-test is 0.0000, strongly suggesting the FEM is preferred over the pooled OLS. The statistic of the Breusch-Pagan

Lagrange multiplier test was extremely high, with a Prob. Of 0.000, so the REM is superior to the pooled OLS. Similarly, the Prob. of the Hausman test is also 0.0000, indicating a preference for the REM. To sum up, the FEM is the most suitable among the three models.

Furthermore, we check whether heteroskedasticity and autocorrelation are present in the FEM. The modified Wald test statistic, exceeding 30,000 with a probability of 0.0000, indicates heteroskedasticity. Furthermore, the Wooldridge test statistics are around 20, with a probability of 0.0000, confirming the existence of serial correlation. As a result, we apply the FGLS method to address the disadvantages of the REM.

Table 5. Results of diagnostic tests

Test	ROA	ROE
F-test statistic	11.52	11.38
Prob. > F	0.0000	0.0000
Breusch-Pagan statistic	9626.64	4870.21
Prob. > chibar2	0.0000	0.0000
Hausman statistic	1502.16	823.84
Prob. > chi2	0.0000	0.0000

Source: Authors' elaboration.

Table 7. Regression results of pooled OLS, FEM, and REM for the ROA variable

Variable	Pooled OLS		FEM		REM	
	Coefficient	Prob.	Coefficient	Prob.	Coefficient	Prob.
Constant	0.0071	0.0000	-0.0037	0.4110	-0.0907	0.0000
Size	0.7615	0.0000	0.0638	0.0020	0.0732	0.0000
Curr	0.1195	0.0000	0.0240	0.0060	0.0476	0.0000
CS	0.0571	0.0000	0.0539	0.0000	0.0563	0.0000
GP	0.0413	0.0000	0.2019	0.0000	0.1364	0.0000
SG	0.0343	0.0000	0.0319	0.0000	0.0332	0.0000
	Adj R ² = 0.3672		Overall R ² = 0.3323		Overall R ² = 0.3248	

Source: Authors' elaboration.

Table 8. Regression results of pooled OLS, FEM, and REM for the ROE variable

Variable	Pooled OLS		FEM		REM	
	Coefficient	Prob.	Coefficient	Prob.	Coefficient	Prob.
Constant	-0.0289	0.0000	-0.0111	0.1580	-0.0351	0.0000
Size	0.0283	0.0000	0.0351	0.0090	0.0298	0.0000
Curr	0.2211	0.0000	0.1082	0.0000	0.1023	0.0060
CS	0.0258	0.0000	0.0334	0.0000	0.0313	0.0000
GP	0.0932	0.0000	0.0546	0.0000	0.0565	0.0000
SG	0.0927	0.0000	0.0855	0.0000	0.0913	0.0000
	Adj R ² = 0.3625		Overall R ² = 0.3323		Overall R ² = 0.3511	

Source: Authors' elaboration.

Table 9. Regression results of the FGLS

Dependent variable	ROA		ROE	
	Coefficient	Prob.	Coefficient	Prob.
Constant	0.0174	0.0000	0.0252	0.0000
Size	0.0622	0.0000	0.0531	0.0000
Curr	0.0834	0.0000	0.0874	0.0000
CS	0.0462	0.0000	0.0296	0.0000
GP	0.0398	0.0000	0.0754	0.0000
SG	0.0331	0.0000	0.0872	0.0000

Source: Authors' elaboration.

The size variables' coefficients are 0.0622 and 0.0531, Prob. = 0.0000. Firm size has a positive impact on financial performance, measured by both ROA and ROE. The bigger the firm size, the higher the financial performance. This result opposes Seissian et al. (2018) and Cho et al. (2019). This result indicates that large enterprises typically have extensive production scales, which reduces manufacturing costs and fosters competitive advantages. The positive effect of firm size on

Table 6. Results of modified Wald and Wooldridge tests for the REM

Test	ROA	ROE
Modified Wald statistic	48965.05	30649.35
Prob. > chi2	0.0000	0.0000
Wooldridge statistic	27.950	24.218
Prob. > F	0.0000	0.0000

Source: Authors' elaboration.

4.3. Key findings

The regression results of factors impacting Korean listed firms' financial performance, according to three models, pooled OLS, FEM, and REM, are presented in Tables 7 and 8. Due to the heteroskedasticity and autocorrelation in the FEM, we run the FGLS estimation. According to Table 9, all hypotheses are accepted at the level of 1%. The equations for ROA and ROE are:

$$ROA_{it} = 0.0174 + 0.0622Size_{it} + 0.0834Curr_{it} + 0.0462CS_{it} + 0.0398GP_{it} + 0.0331SG_{it} \quad (3)$$

$$ROE_{it} = 0.0252 + 0.0531Size_{it} + 0.0874Curr_{it} + 0.0296CS_{it} + 0.0754GP_{it} + 0.0872SG_{it} \quad (4)$$

financial performance suggests that managers should prioritize growth strategies that enhance scale efficiency. Expanding production capacity, pursuing mergers and acquisitions, and strengthening market share may help firms benefit from economies of scale and improved bargaining power.

The coefficients for the Curr variable are 0.0834 and 0.0874, Prob. = 0.0000. The current ratio positively impacts Korean listed firms' financial performance. Liquidity, gauged by the current ratio, promotes financial efficiency. It is consistent with Le Thi Kim et al. (2021) and Nguyen and Nguyen (2025). The liquidity of a company plays a crucial role in its ability to finance investment projects and meet short-term financial obligations. Liquidity refers to the capacity to convert current assets into cash to satisfy these obligations quickly. A company's liquidity level indicates its capability to cover short-term debts using its current assets. Statistical analysis shows that liquidity positively

impacts the financial performance of the business. To assess the relationship between liquidity and financial performance, it is important to understand how well current assets can be utilized to pay off short-term liabilities. Effectively managing and maintaining liquidity is vital to corporate financial strategy, as it supports strategic decisions and enhances risk management. Managers should maintain an optimal liquidity level to ensure that short-term obligations are met without constraining investment capacity. Excessively low liquidity may increase financial risk, while overly high liquidity may signal inefficient asset utilization. Therefore, firms should adopt balanced liquidity management strategies to support operational stability and investment flexibility.

The coefficients for the *CS* variable are 0.0462 and 0.0296, Prob. = 0.0000. The capital structure has a positive impact on financial performance, aligning with Liu et al. (2022) and Dahmash et al. (2021). Financial results are improved thanks to wise investments based on additional debt. Furthermore, as interest payment is tax-deductible, corporations preferring a capital structure based on debt are subject to generating higher financial performance. Managers should consider leveraging debt strategically to finance productive investments, particularly when borrowing costs are lower than the returns generated by investment projects. The tax shield advantage of debt can also improve net income.

The coefficients for the *GP* variable are 0.0398 and 0.0754, Prob. = 0.0000. Profitability margin positively affects Korean listed firms' financial performance. The more effective a company's management is, the higher the profit, leading to higher performance. It is consistent with Liu et al. (2022) and Ahinful et al. (2023). The finding that gross profit margin improves financial performance underscores the importance of operational efficiency and cost control. Managers should focus on improving production processes, supply chain management, and pricing strategies to sustain higher margins. Investments in technology, innovation, and productivity enhancement can strengthen competitive positioning and long-term profitability.

The coefficients for the *SG* variable are 0.0331 and 0.0872, Prob. = 0.0000. There is a significantly positive relationship between sales growth and financial performance. High sales are advantageous to enterprises, especially when making wise fixed-asset investments. Increases in sales are often followed by enhancements to the company's brand positioning and reputation, which improve its financial outcomes. It is in line with Le Thi Kim et al. (2021) and Nguyen and Nguyen (2025). Sales growth can lead to excess cash flows, which can be reinvested in market expansion, R&D, or infrastructure improvements to enhance the firm's profits. Additionally, revenue growth can boost the market value of the company, positively impact its stock price, and provide benefits for equity holders.

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5. CONCLUSION

Managers and analysts focus primarily on a company's financial performance. Corporate financial ratios, such as ROA and ROE, are essential for measuring, analyzing, and evaluating a company's strength and efficiency. In an increasingly competitive global economy, financial performance is a key criterion for assessing the growth and development of enterprises. This article examines the factors influencing the performance of listed companies on the Korean stock exchange from 2012 to 2024. It utilizes methods such as pooled OLS, FEM, and REM, along with the FGLS method, to analyze issues related to heteroskedasticity and autocorrelation.

From a theoretical perspective, the findings reinforce the importance of internal corporate characteristics in explaining variations in firm performance. The positive roles of firm size, liquidity, leverage, profitability margin, and sales growth support arguments from resource-based and trade-off theories, which suggest that efficient resource allocation, optimal capital structure decisions, and scale advantages contribute to superior performance outcomes. By providing updated evidence from Korea — an advanced but distinctive Asian market — this study enriches the empirical literature on corporate finance and firm performance in emerging and developed hybrid economies.

Practically, the findings suggest that managers should adopt an integrated financial strategy to enhance performance. Expanding firm size through strategic growth initiatives can improve economies of scale and competitiveness. Maintaining an optimal liquidity level is essential to balance solvency and investment flexibility. Prudent use of debt financing may enhance returns through tax advantages and financial discipline, provided risk is carefully managed. In addition, sustaining sales growth and improving profit margins through innovation, cost control, and market expansion are crucial for long-term profitability. For policymakers, facilitating firms' access to capital can strengthen corporate resilience and overall market performance.

Further study is needed to incorporate external macroeconomic and institutional factors, such as gross domestic product growth, inflation, exchange rate volatility, interest rate changes, trade openness, tariffs, and geopolitical risk. While the study considers approximately 700 listed firms in Korea, there are around eight million unlisted small and medium-sized enterprises in the country. Therefore, future research could extend the analysis to the private or small and medium-sized enterprise sectors to provide a more comprehensive understanding of corporate performance determinants in Korea.

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