The Influence of Covid-19 on Business Sustainability with Corporate Action as a Moderation Variable

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ABSTRACT

Objectives*: This study aims to test: 1) the influence of Covid-19 on Business Sustainability; 2) the influence of Covid-19 on Business Sustainability with Corporate Action as a moderation*
Methodology*: This study uses secondary data. The sampling method uses purposive sampling. The sample used was 32 companies listed on the IDX that carried out corporate actions in 2020. Hypothesis testing 1 and 2 used the t-test. Hypothesis testing 3 used the F test because it contains elements of interaction between two*
Finding*: The results of the Covid-19 study proxied by ROE did not show an effect on business sustainability, while those proxied by Current Ratio showed an effect on business sustainability. The Covid-19 and Corporate Action variables as moderating variables jointly affect business sustainability*
Conclusion*: The impact of Covid 19 and corporate actions have an important role and have been proven to jointly affect business sustainability. Liquidity needs to be maintained to ensure that business sustainability runs effectively considering the impact of Covid-19. On the other hand, profitability does not affect business sustainability, because cash flow is not smooth, where cash flow is a source of business sustainability. Corporate action policies to attract interest and restore investor confidence in the company amidst the spread of Covid-19, thus impacting business sustainability*

Keywords*: Covid-19; ROE; Current Ratio; Corporate Action; Business Sustainability.*

INTRODUCTION

Business continuity is a challenge for business people during the Covid-19 pandemic, business people have expectations that their business will be able to survive and be able to develop in the long term. Business people always try to be able to achieve business goals and increase business value. The concept of business sustainability assumes that a business will remain in business in the future *(Puspitaningtyas, 2017)*. Business Sustainability is a business that is able to compete with other businesses and business owners can maintain their business, protect their business, avoid bankruptcy and develop their business (Athaya Salsabila, 2021)

Several factors can affect business sustainability, including when a company is facing a crisis, sales decline, the company is making continuous losses, cash flow is not smooth, minimal business capital, theft, fire, natural disasters and outbreak or incident of the corona virus pandemic. In 2019 the world was shocked by the emergence of the Covid-19 Virus outbreak, this caused a sluggishness in the economic sector throughout the world. Including in Indonesia, the Covid-19 outbreak had affected the world economy including Indonesia. The sectors affected by Covid 19 are the industrial, tourism, trade, transportation, and investment sectors. Based on the Covid-19 Impact Survey on Business Actors conducted by BPS during July 10-26, 2020, the majority of micro and small enterprises (MSEs), medium and large enterprises (UMB) both reported a decrease in income. In contrast, only about 13 percent of the UMK and 15 percent of the UMB stated that they had a fixed income. Then, only 2 percent of MSEs and 3 percent of UMB stated that there had been an increase in income.

Ramdani (2020), stated that the global pandemic of the Covid-19 virus had an impact on the industrial sector which experienced a decline in performance and even some could be said to be suspended animation due to the virus. *Donthu & Gustafsson (2020)* found that the main cause of many businesses closing during the pandemic was because companies could not finance operational activities due to low sales, which had an impact on company revenue.

Research results that show that the Covid-19 pandemic has a positive effect on the performance, operations, and sustainability of SMEs (Sunday et al., (2021). Profitability had a significant effect on sustainability (Widodo et al., 2021). The results of the study (Chen et al., 2021) revealed that Covid-19, which was proxied by company size and leverage, had a negative impact on sustainable growth. Research results that show that the Covid-19 pandemic has no effect on the sustainability of MSME businesses Riyanti et al., (2022), Febrian, (2022) that Covid-19 does not affect the sustainability of the palm oil production business in Pekon Bandar Baru, Sukau District, West Lampung Regency, *Riyanti & Aini (2022)* that digital marketing statistically has no effect on the sustainability of MSME businesses during the Covid 19 pandemic and *Wakwe Lawrence & Onyema Lawrence (2021)* that Covid-19 negatively affected all businesses, but did not affect micro-sized businesses that fared better.

Corporate action is an action in the form of a rights issue, stock split, reverse stock, buyback, merger, acquisition, divestment carried out by a company. Corporate action will affect the stock price so that stock liquidity becomes better, to increase higher profitability, and return profits to shareholders, for example by distributing cash dividends or bonus dividends. The company's decision to take corporate action is based on the company's condition or need to improve company performance and the best action that can benefit shareholders (As'ari et al., 2021).

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Previous research results are still mixed, indicating that there are still problems with the impact of Covid-19 on business continuity. The results of research are still varied, possibly because there are companies that carry out corporate action and some do not do corporate action. This is the background for researchers to conduct research related to business continuity which is affected by the presence of Covid-19 which is proxied by Return On Equity and Current Ratio. ROE should ideally be stable or continue to grow from year to year. The higher the ROE percentage level, the better the impact on business continuity. The Current Ratio is one of the most commonly used ratios to measure a company's liquidity or ability to meet short-term obligations without facing difficulties. The higher the current ratio, the more stable the company, which shows the company has a strong financial position that affects business sustainability. Corporate action as a moderating variable.

This research has not been widely studied in Indonesia, the influence of Covid-19 and corporate action as moderation variables on business sustainability in companies listed on the IDX. The purpose of this study is to analyze the influence of Covid-19 on business sustainability and to analyze the influence of corporate action moderation variables and Covid-19 together on business sustainability.

LITERATURE REVIEW

1. Business Sustainability

Business sustainability is one of the company's goals that must be pursued. For this reason, a business owner needs to understand what sustainability is, be able to develop a strategy to ensure that the business he manages can be run with the concept of business sustainability. Business sustainability is a business that is able to compete with other businesses and business owners can maintain their business, protect their business, avoid bankruptcy and develop their business *(Salsabila & Winarsih, 2021)*. Business sustainability assumes that a business will still try to be in business in the future. Business actors always try to be able to achieve their business goals and increase business value (Puspitaningtyas, 2017). Business sustainability explains as the process of managing an organization by considering three aspects, namely economic, social and environmental *(Mahajan & Bose, 2018)*. Business sustainability is a process of sustainability that includes growth, continuous sustainability strategy and business development that leads to business existence (Sun et al., 2018).

2. Covid-19

The Covid-19 pandemic or coronavirus disease 2019 (Covid-19) is an event of the viral disease spread that has hit worldwide for all countries, including Indonesia. Lockdown or limiting people's activities to stay at home is a policy implemented by various countries. Likewise, business activities were stopped or reduced in activity to avoid crowds and prevent the spread of the virus.

The issue business continuity is an important issue, in the middle of Covid-19 pandemic. Many companies have survived crises, but companies can also become more resilient in the future. Current business continuity has the potential to affect company performance. This condition can be seen in the domestic economy, especially from the corporate side. The deteriorating economic and business activities spread to the financial sector, due to the impact of the domestic economic and financial crisis, which resulted in financial instability and economic recession (Widodo et al., 2021). Companies in Indonesia need to pay attention to risk

management in planning financial performance, by adapting to changes in external conditions, so that business sustainability is maintained *(Karamoy & Tulung, 2020)*.

3. Corporate Action

Corporate action is a policy carried out by public company that can have an impact on share ownership for investors or the share price of the company. Corporate action is any issuer's action or activity that affects the number of shares, stock prices and the interests of shareholders both positively and negatively. Corporate action is an initiative carried out by the company, which can have an impact on investor share ownership or the share price itself. There are many types of corporate actions that can be done by a company with different goals and impacts.

3.1 Types of *Corporate Action*

a. Issuance of new shares (Rights Issue)

The right issue action was taken by the issuer as an alternative to additional capital because the cost of implementation was easy, cheap and fast. Right Issue is the expenditure of new shares where the shares are prioritized to shareholders or investors to buy the new shares (Gultom, 2021). Right Issue is a company giving the right to shareholders to buy new shares at discounted prices (Rohit et al., 2016). Whereas Right Issue according to Hatta (2018) is granting of the rights to shareholders or old investors to buy new shares. Generally the purpose of this rights issue is to be used to collect a number of fresh funds which will later be used for expansion in business, for working capital or paying loans. Some of the other objectives are used to increase a portion of ownership for shareholders, as well as to increase the amount of shares that are in circulation which can later be more liquid in trading.

b. Cash dividend

Dividend policy is a company decision to determine the percentage of income paid by the company in cash to shareholders. Some definitions of the dividend meaning, including: According to Lamichhane & Rai (2021) dividend is payment made by the company to shareholders after the company makes a profit. Dividend is a part of profit distributed to shareholders or investors whose magnitude is adjusted to the number of ordinary shares owned by shareholders or investors (Polii & Herawaty, 2020)

c. Stock split

Stock Split is a form of corporate action used to increase stock liquidity (Irmayani & Wiagustini, 2015). Stock Split is the breaking down of stock nominal value into a smaller nominal value. Stock breakdown is a means to reduce stock prices, so it is attractive to small investors (Rohit et al., 2016). With the stock split, the number of shares becomes more, and due to an increase in the number of shares due to breaking old shares, it will result in a proportional share price with an increase in the number of shares.

d. Merger & Acquisition

Business competition will be experienced by all companies so as to force the company to develop business to maintain its existence by making acquisitions. Merger and acquisition are business strategies that allow companies to enter new potential markets or new business areas (Malik et al., 2014). Merger and acquisition can help accelerate the growth rate of the company in an easy and inexpensive way. Merger and acquisition are carried out by the company in the hope of bringing in a number of benefits. A

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mutually beneficial condition will occur if the merger and acquisition activities carried out creating synergy, as a result of the synergy of the company is expected to improve the company's performance. Merger and acquisition are instruments for business expansion, get competitive advantage and synergy (Gupta, 2012).

4. Hypothesis Development

4.1 COVID-19 and Business Sustainability

Covid-19 caused a global health crisis which is a major event that affects the business of all sizes and all industries (Gregurec et al., 2021). If business people do not want to learn from situations like this, the company will experience difficulties due to the Global Covid-19 Pandemic. COVID-19 Impact Research on Business Sustainability has been carried out based on theoretical analysis and empirical studies. Tabibian et al., (2021) found that the sustainability of Chinese companies had shifted to the social dimension during COVID-19 and all types of companies prioritize economic sustainability and environmental sustainability in the post-Pandemic period.

Research Sunday et al., (2021) with the title *Analysis of the Effects of Covid 19 on the Operations and Sustainability of SMEs in South Western Region, Uganda*. The purpose of this study was to determine the impact of COVID19 on operations and sustainability of small and medium businesses. The results of this study indicated that Covid19 Pandemic had a positive impact on the performance, operations, and sustainability of SMEs. Chen et al., (2021) with the title *Firm Sustainable Growth during The Covid-19 Pandemic: The Role of Customer Concentration*. The study was conducted in China. The purpose of this study was to find out that the Covid-19 had a negative impact on the company's sustainable growth and to find out that an increase in customer concentration reduced the negative impact of COVID-19 on the company's sustainable growth. The results of this study revealed that Covid-19 had a negative impact on sustainable growth and shows that increasing customer concentration can increased company stability and reduced the negative impact of external pressure on the company's sustainable growth.

The concept of business sustainability has become important in recent years because the outbreak of Covid-19 pandemic has a negative effect on sustainability. The impact of pandemic gives great concern for investors and pessimism of future company income which results in fluctuations in the stock market (Jiang et al., 2017). The Covid-19 phenomenon, attracts the attention of both academics and policy makers in the company to conduct research on the impact of COVID-19. However, there are still many different findings, causing gaps of one research with another research. This study uses the impact variables of the Covid-19 which is associated with business sustainability in issuer companies listed on the IDX. To explain further about the impact of Covid-19 on Business Sustainability, this study formulates some relevant hypotheses and will be empirically tested, the hypothesis is formulated as follows:

H1: The effect of ROE on business sustainability

H2: The effect Current Ratio on *business sustainability*

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4.2. COVID-19, Corporate Action and Business Sustainability

There are companies that face problems during Covid-19 pandemic and make cash flow management as a priority during Covid-19 pandemic by conducting strict review of the production plan and reducing costs to ensure that companies can continue to cover the necessary expenses until the crisis ends. Several studies have been carried out the impact of Covid-19 on company performance. Covid-19 affects stock returns, empirical results show that Covid-19 has a negative impact on the stock market (He et al., 2020). Baig et al (2021) revealed that Covid-19 and Lockdown contributed to a decrease in market stability and liquidity in the US stock market. Furthermore, *Anh & Gan (2021)* tested the impact of Covid-19 and Lockdown on stock returns in Vietnam. Research found the negative impact of Covid-19 on stock returns in Vietnam, especially the financial sector, the most severe during pandemic. Research that had been conducted in Indonesia, Febriyanti (2020) found the influence of Covid-19 pandemic on shares on the Indonesia Stock Exchange with a period of D-5 to H+5 pandemic.

The company in the Covid-19 period carried out a policy known as Corporate Action which including in the form of merger and acquisition, dividend division, rights issue, stock split and others. Corporate actions carried out by the company can attract the attention of related parties in the capital market, especially investors *(Maulana & Yuliana, 2022)*. Corporate action is expected to attract investors to invest in the stock issuers so as to increase the stock prices movement because of increased stock demand, so that it will affect the business sustainability for companies that carry out corporate action. As explained in the signaling theory that the announcement of corporate action is considered as a signal, or an event that contains information. The corporate action policy carried out by the company is a step to attract investors to restore investor confidence to the company amid the Covid-19 pandemic outbreak. So this will have an impact on business sustainability.

The results showed that corporate action (stock split) had a significant positive effect on stock prices and liquidity. Liquidity had a significant effect on stock prices, but is unable to mediate the effect of stock split on stock prices *(Maulana & Yuliana, 2022)*. Corporate Action (Dividend Policy) had a statistically significant impact on the company's financial performance (Kanakriyah, 2020). Corporate action (stock split) tent to reduce company liquidity on the IDX. The significant cause of the decline was influenced by outstanding shares which increased much higher *(Sanusi & Khel, 2018)*.

Stock liquidity increased significantly after the stock split *(Widjaja & Hadiwijaya, (2019)*; Hu et al (2018); Tabibian et al (2021). Research Hu et al (2020) with the title How Do International M & AS Affect Rival Firm's Sustainable Performance? —Pirical evidence from an emerging market. This research was conducted in China with the aim of how M&A affects the company's sustainable performance. The results showed that M&A had an influence on sustainable performance.

The limited literature on corporate action conducted by issuer companies on the IDX to increase their business capabilities amidst the uncertain Covid-19 pandemic motivated researchers to conduct research on the impact of Covid-19 and corporate action as a moderating variable on business sustainability. Then the researcher formulates a hypothesis that will be tested empirically, as follows:

H3: Covid-19 and corporate action as moderating variables jointly affect business sustainability.
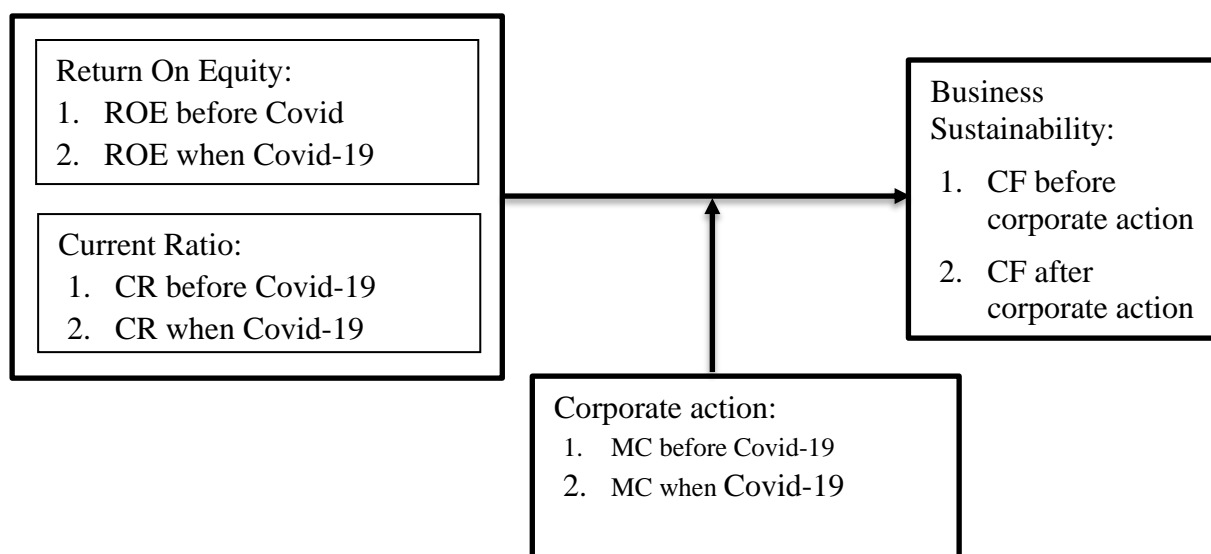
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│ │ Return On Equity:               │ │
│ │  1.  ROE before Covid           │ │
│ │  2.  ROE when Covid-19          │ │
│ └─────────────────────────────────┘ │
│                                      │
│ ┌─────────────────────────────────┐ │
│ │ Current Ratio:                  │ │
│ │  1.  CR before Covid-19         │ │
│ │  2.  CR when Covid-19           │ │
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Business Sustainability:
1. CF before corporate action
2. CF after corporate action

Corporate action:
1. MC before Covid-19
2. MC when Covid-19

Figure 1 Research Framework

METHOD

The research design uses quantitative research with path analysis, focusing on companies that carry out corporate actions. This study provides three explanations for the hypotheses that have been designed. The research variables consist of 1 dependent variable (business sustainability with cash flow), 2 independent variables (the effect of Covid-19 with ROE and Current Ratio), and 1 moderating variable (corporate action with market capitalization). This study took place from 2018 to 2022 and aims to explain how the influence of Covid-19 and corporate action affects business sustainability.

Table 1 Variable measurement

Variable	Measurement	Scale
Profitability (X1)	$\Delta \, ROE = \dfrac{ROE_t - ROE_{t-1}}{ROE_{t-1}}$	Ratio
Liquidity (X2)	$\Delta \, \text{Current Ratio} = \dfrac{\text{Current Ratio}_t - \text{Current Ratio}_{t-1}}{\text{Current Ratio}_{t-1}}$	Ratio
Cash Flow (Y)	$\Delta \, Cash\ Flow = \dfrac{CF_{t+1} - CF_{t-1}}{CF_{t-1}}$	Ratio
Corporate action (Z)	$\Delta \, \text{Market Capitalization} = \dfrac{\text{Market Capitalization}_t - \text{Market Capitalization}_{t-1}}{\text{Market Capitalization}_{t-1}}$	Ratio

The population in the study is companies listed on the IDX that carry out corporate actions. The sampling technique is purposive sampling with certain criteria described in Table 2

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Table 2 Research Sample Criteria

No	Kriteria	Jumlah
1	Companies listed on the Indonesia Stock Exchange that carry out corporate actions 2020	34
2	Companies that do not publish complete annual reports for 2018-2022	(0)
3	Companies that do not provide all the data required in the variables in this study.	(2)
	Sample companies that meet the criteria	32

A sample of 32 companies was selected based on predetermined criteria. Data were obtained from the Indonesia Stock Exchange website (www.idx.co.id) using observation, documentation, and literature study methods. In this study, before conducting the t-test and F-test, a descriptive statistical analysis and classical assumption test were first conducted on the research data. This model is used to test hypotheses 1 and 2 as follows:

$$BS = \alpha_1 + \beta_1\, ROE + \beta_2\, CR + e \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ (1)$$

Explanation:
BS: Business Sustainability, ROE: Return of Equity, CR: Current Ratio

This model is used to test hypothesis 3 as follows:

$$BS = \alpha_1 + \beta_1\, ROE*KP + \beta_2\, CR*KP + \beta_3\, KP + e \ldots\ldots\ldots\ldots\ldots\ldots\ldots(2)$$

Explanation:
BS   : Business Sustainability

ROE   : Return of Equity

CR   : Current Ratio

KP   : Market Capitalization

The equation model above contains elements of ROE interaction with market capitalization (ROE*KP) and current ratio interaction with market capitalization (CR*KP) which are used to analyze the effect of corporate action as a moderating variable and Covid-19 as an independent variable jointly on business sustainability. The moderating hypothesis is accepted if (ROE*KP) and (CR*KP) have a significant effect on business sustainability, so that it can be said that covid-19 and corporate action as moderating variables jointly affect business sustainability.

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RESULTS AND DISCUSSION

1. Descriptive Statistics

Table 3 Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
Descriptive Statistics					
ROE	32	-41988.00	17119.00	-3510.0625	11650.02273
CR	32	-6436.00	21029.00	925.1875	5197.63893
Y	32	-6971.00	42883.00	4486.1563	10271.86107
Valid N (listwise)	32				

Based on table 1, it can be seen that the ROE variable has a minimum value of -41988.00 and a maximum value of 17119.00 with an average value of --3510.0625 and a data distribution level of 11650.02273 from the 32 samples studied. The Current Ratio variable has a minimum value of -6436.00 and a maximum value of 21029.00 with an average value of 925.1875 and a data distribution rate of 5197.63893 from the 32 samples studied. The Cash Flow variable has the lowest minimum value of -6971.00 and a maximum value of 42883.00 with an average value of 4486.1563 and a data distribution level of 10271.86107 from the 32 samples studied.

2. Classic Assumption Test

Normality

Table 4 Normality Test Results

		Unstandardized Residual
One-Sample Kolmogorov-Smirnov Test		
N		32
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	8658.89161602
Most Extreme Differences	Absolute	.107
	Positive	.107
	Negative	-.092
Test Statistic		.107
Asymp. Sig. (2-tailed)		.200[c,d]

The results of the normality test above can be seen that the significance value of Asymp. Sig. (2-tailed) of 0.200 is greater than 0.05, because the calculation results show that the sig. > 0.05, so it can be concluded that the data is normally distributed. Thus, the normality assumptions or requirements in the regression model have been fulfilled.

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Heteroscedasticity

Table 5 Heteroscedasticity Test Results (*Glejser* Test)

Coefficientsª

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.732	.115		6.365	.000
	ROE	3.472E-6	.000	.103	.431	.672
	CR	1.767E-5	.000	.244	1.023	.321

a. Dependent Variable: ABS_RES

The heteroscedasticity test was carried out with the *Glejser* test. The test results in table 3 above can be seen that the significance value of the two independent variables is more than 0.05. Thus, it can be concluded that there is no heteroscedasticity problem in the regression model, which means that the regression model is homoscedasticity or in other words there is no problem with the assumption of heteroscedasticity.

Multicollinearity

Table 6 Multicollinearity Test Result

Coefficientsª

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2873.478	1666.191		1.725	.095		
	ROE	-.249	.141	-.282	-1.765	.088	.959	1.043
	CR	.799	.316	.404	2.530	.017	.959	1.043

By looking at table: 4 of multicollinearity test results, it can be seen that none of the independent variables has a VIF value of > 10 or a VIF value of less than 10; and tolerance of more than 0.100, so it can be concluded that between the independent variables, there is no

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multicollinearity problem. Thus, it can be concluded that this regression model has no multicollinearity problem.

Autocorrelation

Table 7 Autocorrelation Test Result

			Model Summary[b]		
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.538[a]	.289	.240	8952.49633	2.087

Based on table 5 above, it is known that the Durbin-Watson (d) value is 2,087. This value will be compared to the Durbin Watson table value at 5% significance with the formula (k'; N). k is the number of independent variables is 3 or k = 3, while the number of samples or N = 32, then (k'; N) = (3; 32).

Based on the Durbin Watson distribution table in the figure above, with (k'; N) = (3; 32) the value dU = 1.6505 is obtained, while the Durbin-Watson (d) value for the regression model is 2.087. This means that Durbin Watson's value is greater than du: 1.6505 and less than 4 – du or (4 – 1.6505 = 2.3495). From the results of the autocorrelation test in table 5, it shows a value (du < dW < 4-dU or 1.6505 < 2.087 < 2.3495), it can be concluded that there are no symptoms or autocorrelation problems in the regression model.

Based on the results of testing the classical assumptions above, it can be concluded that the results of the data normality test, autocorrelation heteroscedasticity and multicollinearity indicate that all research variables have fulfilled the classical assumptions.

3. Hypothesis Testing

t-test

Table 8 t Test Result

Model		Coefficients[a]			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	2873.478	1666.191		1.725	.095
	X1	-.249	.141	-.282	-1.765	.088
	X2	.799	.316	.404	2.530	.017
a. Dependent Variable: Y						

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Explanation:

X1: ROE

X2: Current Ratio

H1: The effect of ROE on business sustainability

Table 6 presents the relationship between ROE (X1) and business sustainability. From table 5.7, it can be seen that ROE is not significant in business sustainability. This can be seen from the significance value of the ROE variable which is greater than the alpha level of 0.05 or (0.088 > 0.05). The result of this study indicates that ROE has no effect on business sustainability supporting data. This shows that the first hypothesis is not proven that ROE has an effect on business sustainability.

H2: The effect of Current Ratio on business sustainability

Table 6 presents the relationship between the current ratio (X2) and business sustainability. From the table, it can be seen that the current ratio is significant in business sustainability. This can be seen from the significance value of the current ratio variable which is smaller than the alpha level of 0.05 or (0.017 <0.05). The result of this study indicates that the current ratio has an effect on business sustainability supporting data. This shows that the second hypothesis is proven that the current ratio has an effect on business sustainability.

F Test

Table 9 F Test Result

	ANOVA[a]					
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2273091255.898	3	757697085.299	21.263	.000[b]
	Residual	997753772.321	28	35634063.297		
	Total	3270845028.219	31			

H3: Covid-19 and corporate action as the moderating variables jointly affect business sustainability.

Based on table 7 which presents the relation between Covid-19 and corporate action as a moderator and business continuity. From table 7, it can be seen that covid-19 is as an independent variable and corporate action is as the moderating variable jointly affect business continuity. This can be seen from the significance value of the interaction variable between corporate action and Covid-19 (ROE*Corporate action and Current Ration*Corporate Action) on business sustainability which is smaller than alpha 0.05 or (0.00 <0.05). The result of this study indicates that the third hypothesis is proven that Covid-19 and corporate actions as a moderator have an effect on business continuity.

Discussion

1. The Effect of ROE on Business Sustainability

The result of this study indicated that ROE had no effect on business sustainability supporting data. This showed that the first hypothesis was not proven if ROE had an effect on business sustainability. There was no effect of ROE on business sustainability in this study due to the first, uncollectible receivables, receivables that had not been paid even though they were past due when billed, because the debtor was bankrupt or one thing or another. Secondly, there was a decrease in profitability due to the Covid-19 pandemic crisis that had occurred for several years, resulting in a financial crisis that could cause a company to go bankrupt which could impact business sustainability. Thirdly, the profitability generated from business activities was used to pay debts and to keep the business afloat and running. Fourth, business expenses or operating costs have exceeded the profits earned, causing business cash flow to be not smooth or problematic where cash flow is a source of business sustainability. The result of this study is relevan with Hondro et al. (2021) which showed that Return on Equity had no effect on the cash flow.

The result analysis was that Return on Equity had no effect on the cash flow, where cash flow can measure the level of business sustainability. Business sustainability must be maintained, therefore business people must think about the possibilities that may occur, such as experiencing problems, strategies for obtaining business profits in the long term, business owners needing to pay production costs, and maintaining investor confidence. Business sustainability is a business that is able to compete with other businesses and business owners can maintain their business, protect their business, avoid bankruptcy and develop their business (Salsabila & Winarsih, 2021). The effect covid-19 of ROE on business sustainability, additional capital will have no meaning during a pandemic covid-19 because the world economy will be paralyzed.

The previous research, even though the business is profitable, business people often experience a lack of cash flow or poor business cash flow, which can affect business sustainability. Showed that there was a positive relationship between profit and cash flow. However, this research confirmed that profit did not guarantee the availability of cash flow for the company. That Covid19 Pandemic had a positive impact on the performance finencial, operations, and business sustainability (Sunday et al., 2021) .

The previous research, Chen et al. (2021) the Covid-19 had a negative impact on sustainable growth and shows that increasing customer concentration can increased company stability and reduced the negative impact of external pressure on the company's sustainable growth. The impact of the Covid-19 pandemic will limit business activities, so that profits generated by business actors decrease along with the decrease in capital issued. The reduced return on capital caused by the Covid-19 pandemic will reduce business sustainability.

2. The Effect of Current Ratio on Business Sustainability

The result of this study indicated that the current ratio had an effect on business sustainability supporting data. This showed that the second hypothesis was proven that the current ratio had an effect on business sustainability. It showed evidence that liquidity was something that was very important for companies to manage properly because it would have an

impact on business sustainability. The result of this study is relevan with (Meiliani et al., 2024) which concluded that liquidity of current ratio affected the business sustainability.

In the business world, the concept of liquidity was defined as the ability to sell assets in a short time with minimal losses. Liquidity was too high, then there would be idle funds thereby reducing the company's opportunity to get profits from the use of funds, if it was too small, then the company was unable to meet short-term obligations (Notoatmojo, 2018). Business players need to maintain liquidity and cash flow to ensure that business sustainability runs effectively considering the long-term impact of Covid-19. Even though the emergence of Covid-19 has had a worrying impact on business people, there is a belief that businesses will become tougher, agile, and lean for business sustainability in the future. The steps that need to be taken by business people so that business sustainability from the impact of the Covid-19 pandemic. First, business people are able to manage business liquidity as well as possible by forecasting receipts and payments. Second, every business person is committed to protecting his staff to ensure business sustainability by reducing risk, maintaining revenue, maintaining a stable market and customer trust. Third, the purpose of business sustainability is basically to ensure business continuity, in order to achieve this, one of the ways that can be taken is to increase efficiency. With efficiency, companies can save funds by reducing unnecessary expenses so that the negative impact on the company is reduced. For this reason, efficiency is always the choice as the basis for planning business sustainability by prioritizing main business activities, stabilizing cash flow and expanding financial resources so that the business continues to operate.

The previous research, found that the sustainability of Chinese companies had shifted to the social dimension during COVID-19 and all types of companies prioritize economic sustainability and environmental sustainability in the post-Pandemic period (Tabibian et al., 2021). The biggest impact of the Covid-19 pandemic is the paralysis of business activities due to social distancing, so that company operations experience problems. The problem that occurs in finance is that asset turnover becomes hampered, which will have an impact on the payment of obligations that must be paid immediately by the company. This will certainly affect the sustainability of the company. Therefore, a good financial management strategy is needed.

3. The Covid-19 variable and Corporate Action as moderating variables jointly have an effect on business sustainability

The result of this study showed that the third hypothesis was proven that the covid-19 variable and corporate action as moderating variables jointly affected business sustainability. This was because the first company that carried out corporate action during the Covid-19 period made the company size large so that it had diversity in resources and made the company had many opportunities to invest in projects that could improve performance so that it had an impact on business sustainability. Corporate action could also be a solution to prevent liquidity risk (Liargovas & Repousis, 2014). Corporate action indicated the existence of motives to be achieved, namely economic motives and synergy motives.

Secondly, corporate action helped increase cash for the company. Corporate actions carried out by companies to generate healthy cash flow that would be needed to pay debts or maintain business sustainability. Corporate action was part of a strategy for companies to focus on business sustainability in order to maintain the company's advantage in the long term. Third, corporate action carried out by companies increased a company profitability, profitability was an important factor for business continuity in the era of the Covid-19 pandemic. For companies, maintaining profitability and liquidity was a must so that their business continues to exist and maintain business sustainability during the Covid-19 pandemic.

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The result of this study is relevan with Kanakriyah (2020), Corporate Action (Dividend Policy) had a statistically significant impact on the company's financial performance. Corporate action is expected to attract investors to invest in the stock issuers so as to increase the stock prices movement because of increased stock demand, so that it will affect the business sustainability for companies that carry out corporate action. The announcement of corporate action is considered as a signal, or an event that contains information. The corporate action policy carried out by the company is a step to attract investors to restore investor confidence to the company amid the Covid-19 pandemic outbreak. So this will have an impact on business sustainability.

CONCLUSION

This study found that liquidity and corporate action help increase cash, resulting in healthy cash flow needed to maintain business sustainability. These factors have been proven to have a joint effect on business sustainability. Liquidity needs to be maintained to ensure that business sustainability runs effectively considering the impact of Covid-19. On the other hand, profitability does not affect business sustainability, because bad receivables, debtors go bankrupt, profits are used to pay debts, operational costs exceed profits, causing cash flow to be irregular, where cash flow is a source of business sustainability. Corporate action policies to attract interest and restore investor confidence in the company amidst the spread of Covid-19, thus having an impact on business sustainability.

However, this study has limitations in sample size, secondary data, variable expansion and methodology are needed to obtain more comprehensive results. This study can be improved by expanding a more diverse sample and adding other variables such as financial literacy, company performance and company value to obtain more comprehensive results. The use of more diverse methodologies, including a combination of quantitative and qualitative research with a deductive approach to unravel more issues raised in the study and can provide deeper insights. For the Company, that there is uncertainty in corporate action, the company needs to make preparations before carrying out corporate action, such as improving corporate governance and developing strategic planning so that investors are increasingly interested in investing in companies that carry out corporate action, because the company is considered more sustainable and has a lower risk. Therefore, corporate action can increase the company's attractiveness in the eyes of investors.

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