

Financial Performance Evaluation of Proya Company from a Stakeholder Perspective

Jiayue Liu*, Nan Chen

Yili Normal University, Khorgos Business School and Xinjiang Port Economic Development and Management Research Center, Yili 835000, Xinjiang, China

**Author to whom correspondence should be addressed.*

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Abstract: The continuous growth in per capita national disposable income has propelled the global cosmetics industry to significant growth over the past decade. Taking Proya Cosmetics Co., Ltd. as an example, this paper adopts a stakeholder perspective. By selecting financial indicators from Proya's annual reports from 2017 to 2022, standardizing the data using SPSS software, and applying factor analysis, a series of financial performance evaluation models for Proya were constructed. A total of 15 listed companies in the same industry and Proya's financial indicators over the past six years were selected for horizontal and vertical comparative analysis and evaluation. The analysis reveals that creditors, employees, and the government are the primary stakeholders influencing Proya's financial performance. Based on these findings, corresponding strategies are proposed: safeguarding creditor interests from multiple angles; prioritizing value creation to enhance employee satisfaction; and strengthening social responsibility awareness while actively cooperating with government initiatives.

Keywords: Factor analysis; Financial performance evaluation; Proya; Stakeholders

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1. Introduction

As people's pursuit of beauty continues to rise, domestic cosmetics consumption has maintained robust growth momentum. The rapid development of e-commerce platforms in recent years has also opened up significant growth opportunities for the cosmetics industry. By the end of 2025, China's cosmetics market is projected to exceed 580 billion Chinese Yuan, accounting for approximately 14.5% of the global market share and ranking second worldwide.

This growth is underpinned by a confluence of factors: rising disposable incomes, the 'Guochao' (or 'China Chic') trend favoring domestic brands, and sophisticated digital marketing strategies that leverage live-streaming and social media. In January 2021, the State Council approved the implementation of the "Regulations on the Supervision and Administration of Cosmetics" along with a series of supporting secondary regulations.

This signifies stricter requirements for cosmetic safety and efficacy, significantly strengthening oversight and penalties for violations. This will not only further standardize market competition within the industry and eliminate non-compliant small and medium-sized enterprises but also impose higher standards on well-known brands like Proya. The new regulatory environment effectively raises the cost of compliance and demands greater transparency, making robust financial management and stakeholder trust more critical than ever.

As a leading Chinese cosmetics brand, Proya possesses R&D innovation centers that rival international standards. It has also established a long-term partnership with the National Deep Sea Base Management Center, securing valuable resources for its products. Since its inception, the company has consistently engaged in public welfare initiatives, from building Hope Primary Schools to donating to disaster-stricken areas, truly shining as a beacon of domestic brands. The new regulatory framework further requires Proya to prioritize enhancing product quality and safety while safeguarding consumer rights. Therefore, Proya should seize this opportunity to continuously improve product quality and expand its future market share.

However, the question remains: is Proya's current financial and operational strategy holistically sustainable? Are there hidden vulnerabilities in its relationships with key partners beyond its consumers and shareholders? Consequently, this paper selects Proya as its research subject. From a stakeholder perspective, it conducts horizontal and vertical comparisons of the company's financial performance to identify key factors influencing its financial outcomes. Targeted strategies are proposed to support Proya's continued growth. This approach allows for a diagnostic evaluation of the company's strengths and weaknesses across its entire ecosystem of influence.

2. Literature review

2.1. International research status

2.1.1. Research on financial performance evaluation

In 1954, Peter E. Drucker, known as the "Father of Modern Management," first introduced the concept of performance management in *Management Practice*. It was not until 1977 that Aubrey Daniels from the United States revisited performance management. This sparked a series of studies by scholars both domestically and internationally. The evolution of performance evaluation has since expanded from basic financial ratio analysis to sophisticated multi-dimensional frameworks.

Notably, the Balanced Scorecard incorporated non-financial perspectives, while Economic Value Added (EVA) focused on true economic profit. Factor analysis, the method employed in this study, is particularly valued for its ability to objectively reduce data dimensionality and identify latent constructs that drive observed financial patterns, thus avoiding the subjectivity of arbitrary weight assignments ^[1].

Wang analyzed 2019 financial data from 20 enterprises in coastal cities using factor analysis. The results indicated significant differences across various levels within the traditional Chinese medicine industry, yet relatively minor disparities in overall rankings ^[2].

2.1.2. Research on stakeholders

The term "stakeholder" originated in a 1963 memorandum from the Stanford Research Institute. Ansoff et al. provided early theoretical definitions of stakeholders, but these lacked empirical grounding and thus received limited attention at the time. It wasn't until Freeman's seminal 1984 work on stakeholders that the field gained scholarly prominence and entered a new phase of development. "Freeman's seminal work, *Strategic Management: A Stakeholder Approach*", argued that firms must manage relationships with all groups that can affect or are

affected by their objectives, fundamentally challenging the primacy of shareholder value.

Subsequent research, such as Rowley (1997) RDAP (Reactive, Defensive, Accommodative, Proactive) typology, helped classify corporate responses to stakeholder claims. In the 21st century, stakeholder theory has increasingly converged with the Environmental, Social, and Governance (ESG) movement, positioning effective stakeholder management as a core component of risk mitigation and long-term value creation ^[3]. Additionally, Emmerson et al. verified the positive correlation between ESG performance and corporate financial performance in South Africa, highlighting the need to validate this conclusion in China's cosmetics industry ^[4].

2.2. Domestic research status

2.2.1. Studies on financial performance evaluation

Du employed factor analysis to construct a financial performance evaluation system for listed steel companies in the same industry using four years of financial data. By selecting indicators based on four core competencies, the study evaluated the financial performance of MG Co., Ltd. Findings revealed relatively weak profitability requiring further enhancement ^[5]. Similar methodological applications are found in studies of other sectors, such as logistics (Hou) and rare earth enterprises (Liu & Zhong), confirming the widespread applicability of factor analysis in the Chinese academic context for deriving composite performance scores ^[6,7]. Other domestic studies have applied the stakeholder lens to corporate governance (Shen) and internal pay structures (Wang) ^[8,9].

However, a discernible gap exists in the literature. For instance, few studies systematically apply a comprehensive stakeholder-financial indicator framework to conduct a dual-faceted (horizontal and vertical) performance evaluation of a single, prominent company within the fast-moving consumer goods (FMCG) industry. This study aims to fill this gap by providing an in-depth case analysis of Proya.

2.2.2. Research on stakeholders

He and Lu analyzed the strategic behaviors adopted by four core stakeholders in ecological and environmental governance based on stakeholder theory, focusing on their self-interest. The study concluded that stakeholders' differing perspectives necessitate tailored strategies from multiple angles ^[10].

3. Introduction to Proya and research design

3.1. Introduction to Proya

Proya Cosmetics Co., Ltd. (hereinafter referred to as Proya) was established in 2003 and successfully listed on the Shanghai Stock Exchange in 2017. Headquartered in Hangzhou, it is an integrated company encompassing R&D, production, and sales. Proya primarily focuses on three major categories: skincare, color cosmetics, and hair care, building a multi-category, multi-brand matrix. Its brand portfolio includes the core 'Proya' brand focused on skincare science, the acquired color cosmetics brand 'Color Key', and the personal care brand 'Off & Relax'.

This diversified structure mitigates risk and captures value across different consumer segments. After going public, Proya gradually transitioned toward e-commerce to adapt to the new environment. The company primarily relies on online channels while maintaining offline channels in parallel. This 'online-first' strategy has been pivotal to its recent growth, allowing it to leverage data-driven insights and direct-to-consumer engagement, though it also increases its dependence on digital platform dynamics and marketing expenditures.

3.2. Selection of financial performance evaluation indicators

3.2.1. Principles for selecting financial performance indicators

(a) Authenticity

To ensure accurate conclusions, the authenticity of financial performance indicators is paramount. All data analysis relies on reliable metrics, necessitating rigorous verification of indicator authenticity. All data in this study were sourced from official annual reports and audited financial statements published on the Shanghai Stock Exchange and National Equities Exchange and Quotations (NEEQ) platforms.

(b) Feasibility

Key considerations during indicator selection include: whether analysis can achieve expected outcomes, maintain smooth workflow, and ultimately be implemented. This requires advance prediction, derivation, and experimental validation. This principle guided the selection of widely recognized, consistently reported financial ratios that are directly calculable from disclosed financial data, ensuring the model's replicability and practical utility.

3.3. Analysis of financial performance indicator selection

For sustainable growth, companies require stakeholder support while stakeholders play a supervisory and regulatory role. Financial statements serve as a primary source for understanding corporate performance. This paper, grounded in stakeholder theory, identifies key stakeholders of the company. By organizing and analyzing data from Proya's annual financial reports and other sources, we conduct an in-depth examination of these stakeholders. The stakeholders closely related to the enterprise selected for this analysis include shareholders, suppliers, creditors, employees, customers, government, and society. Eleven indicators were chosen from these seven stakeholder groups for subsequent analysis. The selection rationale for each group is elaborated below, linking the chosen indicators to the core claims and concerns of each stakeholder.

3.3.1. Shareholders

Shareholders form the cornerstone and a vital component of a company's development. The capital raised or invested by shareholders reflects a company's favorable operating environment, strength, and decision-making capabilities, enabling it to achieve greater longevity in a market economy. We have listed multiple banks and companies holding shares as shareholders, demonstrating greater support for Proya and reflecting widespread trust in the company.

As primary investors seeking returns, shareholders are most concerned with corporate performance. Stronger business development ensures returns on their capital investment. Therefore, this analysis uses earnings per share (EPS) and return on equity (ROE) to reflect shareholder returns. EPS measures the portion of a company's profit allocated to each outstanding share, directly impacting stock price, while ROE gauges the efficiency of generating profits from shareholders' equity, a key metric for investor evaluation.

3.3.2. Creditors

Creditors are indispensable to a company's normal operations and development, making their role significant. Creditors focus on recovering principal and interest upon maturity, leading them to closely monitor a company's cash flow. Thus, this study examines Proya's short-term and long-term borrowing status from 2018 to 2022.

Creditors prioritize timely repayment of principal and interest upon maturity. This paper thus examines the debt-to-equity ratio, current ratio, and quick ratio. The current and quick ratios indicate a company's short-term

debt repayment capability, with higher values signifying stronger short-term solvency. A lower debt-to-equity ratio demonstrates greater protection of creditors' interests. The quick ratio, being a more stringent measure than the current ratio as it excludes less liquid inventory, provides a conservative view of immediate liquidity.

3.3.3. Employees

Sustainable corporate development requires valuing employees' contributions. Therefore, we analyze Proya's employee headcount over the past five years. While Proya's workforce has grown alongside its production scale expansion, overall fluctuations remain minimal, indicating stable staffing levels.

The employee compensation ratio is calculated as the ratio of cash paid to employees to operating revenue. A higher value indicates greater employee satisfaction with the company. Only with such satisfaction can employees better progress alongside the company and contribute their strengths. This metric serves as a proxy for the company's investment in its human capital relative to its revenue generation. A declining trend could signal underinvestment in talent, potentially leading to higher turnover and lower productivity.

3.3.4. Customers

Customers serve not only as reliable support for a company's long-term development but also play a crucial role in monitoring product quality. According to the 2022 annual report, sales to the top five customers totaled 798.3137 million yuan, accounting for 12.55% of Proya's annual sales. While this relatively low concentration indicates minimal dependency risk, it highlights the company's need for greater customer diversification.

Customers represent a vital asset for enterprises, with their focus centered on brand image and product quality. Only by enhancing customer satisfaction can a company sustain sound development. Therefore, selecting the revenue growth rate as an indicator is appropriate, as higher values signify improvements in the company's core competitiveness and product/service offerings. Sustained high revenue growth is a strong market signal of brand health, customer acceptance, and effective marketing strategies.

3.3.5. Suppliers

Suppliers and enterprises maintain a sound cooperative relationship. Timely payment receipt is a key concern for suppliers. Therefore, the accounts payable turnover ratio is selected as an indicator. A higher value indicates the enterprise's ability to effectively manage and recover accounts payable within a short timeframe. Conversely, a higher cash-to-accounts payable ratio signifies stronger repayment capacity. An excessively high accounts payable turnover ratio, however, might indicate overly aggressive payment terms that could strain supplier relationships, while a very low ratio could signal potential cash flow problems.

3.3.6. Government and society

The government oversees enterprises to ensure lawful tax compliance. The tax-to-assets ratio is thus selected as an indicator. This metric reflects an enterprise's tax payment status: a higher value indicates better tax compliance and greater contribution to tax revenue.

As members of society, enterprises should contribute back to society while benefiting from its resources. This paper uses the donation ratio to reflect the fact that a higher proportion of donation expenditures relative to operating revenue indicates greater contribution to charitable causes.

Government and enterprises maintain a mutually beneficial relationship. The government provides

development guidance and fosters a harmonious, stable environment, while enterprises must comply with all legal regulations and actively pay taxes in accordance with the law. As members of society, enterprises should not blindly pursue profit maximization but instead contribute to social stability and build a positive brand reputation. In the modern context, these indicators align closely with the ‘Social’ and ‘Governance’ components of the ESG framework, which is increasingly influencing investment decisions and consumer preferences.

3.4. Construction of the financial performance evaluation model

3.4.1. Data selection and processing

Proya operates within China’s cosmetics industry. To ensure data accuracy and the feasibility of factor analysis, data from 15 listed Chinese companies in the same sector were selected as the research sample, excluding those with ST designations. This screening ensures that the peer group consists of financially healthy companies, providing a more meaningful benchmark for comparison. The final sample represents a cross-section of the industry, including both established players and emerging challengers.

This study selected 11 stakeholder-related indicators for analysis. Each dataset was complex and lacked common characteristics for direct comparison. Therefore, SPSS 25.0 software was employed to standardize the 11 indicator datasets.

The standardization process, often referred to as Z-score normalization, transforms the raw data for each indicator to have a mean of 0 and a standard deviation of 1. This is a critical step as it eliminates the influence of different measurement units and scales, allowing for the composite and comparable analysis of variables like ratios, percentages, and absolute growth rates.

3.4.2. Feasibility test for factor analysis

To assess the validity of factor analysis, this study selected 11 indicators from the 15 peer companies. Using SPSS 25.0 software, KMO and Bartlett’s tests were conducted to establish an effective financial performance evaluation model. After standardizing the data, they were input into the KMO and Bartlett’s tests.

Results indicate that the KMO sampling adequacy measure of $0.513 > 0.5$ confirms the selected sample data are suitable for factor analysis, enabling further analysis. While a KMO value of 0.513 is considered mediocre, it is above the minimum threshold of 0.5, deeming the sample adequacy as acceptable.

More importantly, Bartlett’s Test of Sphericity was highly significant (Sig. = 0.000), which robustly rejects the null hypothesis that the correlation matrix is an identity matrix. This confirms that the correlations between the variables are sufficiently large for factor analysis to proceed meaningfully.

3.4.3. Extracting common factors and determining factor number

Common factor variance calculated using SPSS 25.0. All 11 selected indicators achieved extraction rates exceeding 60%, indicating that the extracted common factors reflect over 60% of the information from the original variables, with a high degree of information retention. This ‘Communalities’ table is crucial; for instance, if an indicator like Return on Equity (X2) has an extraction value of 0.892, it means that 89.2% of its variance is captured by the extracted common factors, which is an excellent result.

To examine factor contributions to variable explanation and determine principal component numbers, this study employed PCA to derive a total variance explained table. The cumulative variance contribution reached 83.12%, indicating that the extracted four principal components explain 83.12% of the information in the selected

11 fundamental financial indicators. This reflects high-precision analytical results and demonstrates effective factor analysis. The decision to retain four factors was based on Kaiser's criterion (eigenvalues greater than 1). The scree plot exhibited a distinct inflection point after the fourth factor, providing intuitive validation for this selection. The cumulative explained variance of 83.12% represents an exceptionally high level in social science research, indicating that the four-factor model comprehensively summarizes the original data.

3.4.4. Factor naming and scoring

To facilitate factor naming and enhance data clarity, the matrix was rotated using Kaiser's maximum variance normalization method. Varimax rotation, an orthogonal rotation method, was applied to simplify the factor structure. This rotation maximizes the variance of the squared loadings of a factor on all the variables, resulting in a pattern where each variable loads highly on only one factor, making the factors more distinct and interpretable.

According to the software calculations, common factor F1 exhibits significant loadings on indicators X3 (current ratio), X4 (quick ratio), X5 (debt-to-equity ratio), and X10 (asset tax rate). Therefore, the Creditors and Government Factor is named F1. The combination of solvency ratios and the tax rate is intriguing. It suggests a latent factor representing the company's 'Financial Prudence and Social Compliance', encompassing its ability to meet short-term obligations while fulfilling its fiscal duties to the state.

Common factor F2 exhibits substantial loadings on indicators X1 (Earnings Per Share), X2 (Return on Equity), and X9 (Cash to Accounts Payable Ratio). Therefore, the shareholder factor is named F2. This factor clearly encapsulates 'Profitability and Shareholder Value Creation.' The inclusion of the Cash to Accounts Payable ratio suggests that strong cash flow generation is perceived by the model as part of a healthy financial profile that benefits shareholders.

Common factor F3 shows significant loadings on indicators X8 (Accounts Payable Turnover Ratio) and X7 (Revenue Growth Rate). Consequently, the supplier and customer factor is named F3. This factor represents the 'Market Dynamism and Supply Chain Efficiency'.

High revenue growth (customer focus) is linked with the management of payables (supplier relations). A negative loading on payables turnover might imply that faster growth can sometimes lead to longer payment cycles as companies utilize supplier credit to fund expansion.

Common factor F4 exhibits significant loadings on indicators X6 (Employee Compensation Ratio) and X11 (Donation Ratio), hence the F4 factor is named the Employee and Social Factor. This factor is clearly aligned with 'Human Capital and Social Investment', reflecting the company's commitment to its workforce and its role as a corporate citizen.

Finally, SPSS 25.0 software was used to analyze and derive the final factor score coefficients, presented in matrix form.

The calculation formulas for each common factor are derived from the component score coefficient matrix:

- (1) $F1 = -0.072ZX1 - 0.11ZX2 + 0.317ZX3 + 0.322ZX4 - 0.298ZX5 - 0.004ZX6 - 0.076ZX7 + 0.051ZX8 + 0.001ZX9 + 0.208ZX10 - 0.084ZX11;$
- (2) $F2 = 0.381ZX1 + 0.351ZX2 - 0.076ZX3 - 0.058ZX4 - 0.003ZX5 - 0.086ZX6 + 0.177ZX7 + 0.056ZX8 + 0.259ZX9 - 0.122ZX10 - 0.134ZX11;$
- (3) $F3 = 0.021ZX1 + 0.124ZX2 - 0.036ZX3 - 0.109ZX4 + 0.166ZX5 + 0.027ZX6 + 0.475ZX7 - 0.52ZX8 - 0.251ZX9 + 0.194ZX10 + 0.026ZX11;$
- (4) $F4 = 0.09ZX1 - 0.066ZX2 + 0.041ZX3 - 0.037ZX4 + 0.257ZX5 - 0.587ZX6 + 0.148ZX7 + 0.093ZX8 +$

$$0.088ZX9 + 0.239ZX10 + 0.404ZX11.$$

Based on the four formulas above, a comprehensive score for financial performance evaluation can be calculated. The specific calculation formula is as follows:

$$F = (29.827\% F1 + 24.49\% F2 + 15.241\% F3 + 13.563\% F4) / 83.12\%$$

This comprehensive score (F) is a weighted average based on the proportion of variance each factor explains. Factor F1, being the most influential, carries the highest weight (29.827%), followed by F2 (24.49%). This weighting scheme ensures that the composite score reflects the relative importance of each underlying latent dimension in explaining the total variance among the companies.

3.5. Financial performance evaluation results for Proya company

3.5.1. Horizontal comparison results

Based on the comprehensive scoring formula for financial performance factors outlined above, this study systematically applied standardized data samples from 15 cosmetics companies to conduct horizontal comparative analysis. Factor scores were calculated and ranked accordingly.

Six companies achieved positive composite financial performance scores, indicating sound financial health. Nine companies recorded negative scores, suggesting less-than-ideal financial performance requiring improvement. A positive score indicates performance above the industry average (mean of zero), while a negative score indicates below-average performance.

Among them, Juzu Biotech and Fierjia achieved notably high composite scores within the industry. Juzu Biotech ranked first with a composite score of 1.05, with all individual factor scores placing within the top two positions. Fierjia recorded positive scores across all factors, indicating strong evaluations from various stakeholders for both companies. The success of Juzu Biotech, for instance, can be attributed to its high-profit-margin business model centered on recombinant collagen technology, which likely drives strong performance across all stakeholder factors, particularly profitability (F2).

In 2022, Proya achieved a composite score of 0.35 within the industry, ranking fifth overall and positioning itself in the upper-middle tier of the sector. Specifically:

- (1) F2 (Shareholders) ranked second with a score of 1.22;
- (2) F3 (Suppliers, Customers) ranked third with a score of 1.00.

This indicates high prioritization of shareholders, suppliers, and customers, resulting in strong stakeholder satisfaction. Proya's strong F2 and F3 scores are a direct reflection of its successful 'big product' strategy and dominant e-commerce presence, which drive revenue growth and profitability, delighting shareholders and customers alike.

Conversely, F1 (Creditors, Government) ranked 11th with a low score of -0.6, reflecting poor financial performance. F4 (Employees, Society) ranked seventh, also relatively low, indicating insufficient emphasis on creditors, government, employees, and society. Overall, while maintaining focus on shareholders, suppliers, and customers, Proya should also address the financial performance concerning creditors, government, employees, and society. This lopsided performance profile reveals a strategic trade-off. Proya's aggressive growth and marketing investments, while successful in capturing market share, may be straining its liquidity (affecting creditors) and diverting resources from employee compensation and social contributions.

3.5.2. Longitudinal comparison results

After conducting a horizontal financial performance evaluation of Proya and its industry peers from a stakeholder perspective, we next applied the financial performance evaluation indicators identified above. Using the same methodology, we selected Proya's financial performance data from 2017 to 2022 to derive scores and rankings for each indicator, enabling a longitudinal comparison.

To ensure comparability between the horizontal and longitudinal analyses, the factor scoring model derived from the industry-wide analysis (i.e., the component score coefficient matrix) was applied to Proya's longitudinal data. This means that Proya's financial data from 2017 to 2022 were standardized and then substituted into the same factor formulas (F1, F2, F3, F4) established in section 3.4.4 to calculate the scores for each year. This approach allows for a direct and consistent evaluation of Proya's performance over time against the industry benchmark. Substituting the 2017-2022 financial data into the calculation formula yields Proya's financial performance scores and rankings:

It can be concluded that, Proya's financial performance level was low in 2020, with a composite score of only -0.65 points, ranking last. All factor scores were negative. The 2020 annual report indicates that 180 million Chinese Yuan in freight costs were recognized under cost of sales due to implementing new revenue recognition standards.

Additionally, the severe economic conditions in 2020 resulted in operating revenue of only 3.752 billion Chinese Yuan. These factors collectively contributed to Proya's last-place ranking in financial performance evaluation. The year 2020 serves as a stress test, highlighting Proya's vulnerability to external shocks (pandemic) and internal accounting policy changes. The across-the-board negative scores indicate a systemic impact that affected all stakeholder groups.

In contrast, Proya achieved the highest overall score and ranking in 2022, with all factor scores positive, indicating improved financial performance across all stakeholder dimensions. Specifically, its F2 (Shareholders) and F3 (Suppliers and Customers) scores were 0.16 and 0.17 respectively, ranking 1st and 2nd (driven by higher ROE and revenue growth); while its F1 (Creditors and Government) score of 0.39 placed 3rd (reflecting improved short-term solvency and stable tax contribution). Proya's 2022 annual report reveals the company's ongoing efforts to optimize organizational structure, implement a unified brand planning model across all levels, and refine its performance management system. These initiatives demonstrate tangible effectiveness. The 2022 recovery underscores Proya's operational resilience and the effectiveness of its strategic adjustments post-2020. However, it's critical to note that even in its best year, the scores, while positive, are not exceptionally high, suggesting there is still significant room for improvement, particularly in making these gains sustainable.

Analysis indicates that Proya's overall scores were negative for most years (only two years showed positive results), reflecting significant volatility in its stakeholder-related financial performance. Specifically:

- (1) F4 (Employees and Society) recorded negative scores in five out of six years (2017-2022)—a chronic issue stemming from persistently low employee compensation ratios and limited charitable donations, even amid revenue growth;
- (2) F1 (Creditors and Government) showed negative scores in four out of six years, primarily due to unstable short-term solvency (fluctuating current ratios) and a declining asset tax rate over time. This indicates that Proya's ability to balance the interests of shareholders (high returns) with those of creditors (financial safety) has been inconsistent, potentially due to cyclical investment and leveraging strategies.

3.5.3. Comprehensive evaluation

Based on the above horizontal and vertical comparisons, Proya's financial performance is closely linked to its stakeholders:

- (1) In horizontal comparisons with the cosmetics industry, Proya's financial performance evaluation was weaker for F1 (Creditors and Government) and F4 (Employees and Society);
- (2) In vertical comparisons of financial performance from 2017 to 2022, the weaker evaluation levels were observed for F1 (Creditors and Government) and F4 (Employees and Society).

Therefore, it can be concluded that Proya Company has underperformed financially in terms of its stakeholders: creditors, employees, and the government. The triangulation of evidence from both the cross-sectional (peer comparison) and time-series (self-comparison) analyses provides robust and convergent validity to this conclusion. It paints a picture of a company that is an effective market competitor but has yet to build a consistently robust and balanced foundation for long-term stakeholder value creation.

4. Risks facing Proya company

Based on horizontal and vertical comparisons, this paper will analyze these three aspects to explore the factors influencing the company's financial performance: insufficient debt-repaying capacity, low employee satisfaction and room for improvement in government relations.

4.1. Insufficient debt-repaying capacity

As indicated by the preceding analysis, creditors assess solvency through the current ratio, quick ratio, and debt-to-asset ratio. Per the 2022 financial statements, Proya reported total assets of 5,778,071,824.19 Chinese Yuan and total liabilities of 2,240,848,493.9 Chinese Yuan at the reporting period's end. The debt-to-asset ratio stood at 38.78%, reflecting a higher proportion compared to previous years. A higher debt-to-asset ratio indicates stronger reliance on creditor investment for operations, while simultaneously reducing the security of timely loan repayment and weakening the company's debt repayment capacity. This reliance on external financing creates financial risk.

In a rising interest rate environment or a credit crunch, Proya could face significantly higher financing costs or difficulty refinancing maturing debts. Furthermore, weak solvency ratios limit its financial flexibility to seize strategic acquisition opportunities or weather unexpected economic downturns, potentially ceding competitive ground to more fiscally conservative rivals.

4.2. Low employee satisfaction

Employees represent the most critical resource within an enterprise, and their satisfaction directly impacts corporate performance. Employee compensation ratios provide a more intuitive measure of the proportion of cash paid to employees annually relative to operating revenue, thereby reflecting employee satisfaction with the company. Employee compensation ratios exhibit a declining trend year-on-year.

Although a slight increase occurred in 2022, this phenomenon warrants attention. In the knowledge-intensive cosmetics industry, which relies heavily on R&D innovation and marketing creativity, high employee turnover is particularly costly. Low satisfaction can lead to a 'brain drain,' loss of institutional knowledge, decreased productivity, and a decline in the quality of customer service and product innovation. This erodes the very core competencies that Proya has worked hard to build. The slight uptick in 2022 is a positive sign but must be part of a

sustained reversal of the trend to mitigate these long-term risks.

4.3. Room for improvement in government relations

Analysis of Proya's financial performance indicators over the past six years reveals fluctuations in its asset tax rate. The rate peaked at 0.166 in 2017 but dropped to 0.026 in 2022. Past financial reports consistently reveal that government documents, such as the "Wuxing District People's Government Office Notice on Issuing Implementation Opinions for High-Quality Development of Manufacturing in Wuxing District", indicate substantial government support for Proya. This includes allocations of enterprise development subsidies, technological advancement grants, and patent funding.

Given the government's sustained commitment to fostering business growth, Proya must not only prioritize creating a favorable development environment but also actively contribute to national economic progress. This necessitates heightened attention to government relations and proactive cooperation with governmental initiatives. A declining asset tax rate, while potentially optimized for shareholder value, can be perceived negatively by government stakeholders.

It may signal a lower-than-expected contribution to public finances relative to the company's asset base and the support it receives. This could make Proya more vulnerable to stricter regulatory scrutiny, reduced access to future subsidies, and a weakened position in policy dialogues. In an era of increasing emphasis on 'Common Prosperity,' a poor track record on tax contribution and social responsibility can also attract public criticism and damage brand reputation.

5. Recommendations for enhancing Proya company

5.1. Safeguarding creditor interests from multiple perspectives

Both the company's operational performance and debt levels impact creditor interests. Therefore, the company should establish a scientific financial control system internally, integrate financial objectives into long-term planning, develop comprehensive sustainable budgets and financial control measures, and strictly manage all expenses and costs to ensure rational allocation and utilization of funds. This includes implementing robust rolling cash flow forecasts and establishing clear target ranges for key solvency ratios (e.g., maintaining a current ratio above 1.5), making them part of management's KPIs.

The company should conduct annual internal asset restructuring to reallocate resources efficiently.

This includes reassessing inventory management and capital investment decisions to maximize asset utilization and liquidate non-essential assets to reduce debt. Specifically, Proya could adopt Just-In-Time (JIT) inventory management techniques to minimize working capital tied up in stock and conduct post-investment appraisals for major capital projects to ensure they deliver projected returns.

The 2023 revision of the Company Law of the People's Republic of China emphasizes protecting creditors' interests through the doctrine of piercing the corporate veil. Consequently, companies should periodically establish dedicated task forces to proactively investigate whether shareholders abuse the company's legal independence or limited liability to evade debts, thereby harming creditors. This approach not only safeguards creditors' interests from multiple angles but also effectively prevents internal misconduct that could compromise corporate interests. Beyond compliance, Proya should engage in transparent communication with its creditors, providing regular business updates beyond mandatory reporting, thereby building trust and potentially securing more favorable

lending terms.

5.2. Prioritizing value creation and enhancing employee satisfaction

Proya can enhance financial performance by valuing employee contributions through improved work environments and advancement opportunities, thereby boosting satisfaction using strategies as outlined:

- (1) Actively listen to employee needs by establishing an anonymous feedback platform to gather opinions and address reasonable requests, increasing employee well-being. To be effective, this platform must be coupled with a visible and timely action plan demonstrating that feedback is heard and acted upon;
- (2) Establish a platform for employee skill training and career development while addressing employees' evolving career needs at different stages. Through systematic training programs and targeted development pathways, it can unlock employee potential, enabling them to better adapt to market changes and company growth requirements, thereby comprehensively valuing employee contributions. Proya should create a 'Proya University' offering courses in digital skills, leadership, and industry trends;
- (3) Implementing a dual-track career system (managerial and technical/experts) would allow employees to advance without being forced into management roles, recognizing and rewarding specialized expertise;
- (4) Develop personalized career plans by deeply understanding employees' career aspirations and strengths, tailor-made development roadmaps can be created alongside abundant learning resources and opportunities.

These boosts work motivation, fostering a win-win scenario where employees and the company grow together. This requires training managers to become effective coaches who regularly conduct career development conversations. Linking a portion of managerial bonuses to employee development and retention metrics can further incentivize this cultural shift.

5.3. Strengthen social responsibility awareness and actively support government initiatives

As a key stakeholder, government relations form the core of external coordination for enterprises. Therefore, strengthening social responsibility awareness and actively cooperating with government initiatives will help establish and maintain competitive advantages. For instance:

- (1) Proya should proactively assume greater social responsibilities. This includes establishing foundations, actively engaging in charitable endeavors, and prioritizing environmental protection;
- (2) The company should also respond to national calls by deepening industrial and employment assistance programs to help governments address job creation. Such actions not only bolster government performance and public image but also foster a favorable public opinion environment and cultivate an exemplary corporate culture;
- (3) Proya should move beyond ad-hoc donations and develop a strategic CSR framework aligned with its brand identity, such as focusing on women's empowerment and environmental sustainability (e.g., reducing plastic packaging). Publishing an annual sustainability report following international standards (like GRI) would formalize and communicate these commitments;
- (4) Proya must also conscientiously comply with laws and regulations, ensuring all profit-seeking or risk-averse actions align with national interests. Strengthening communication with the government requires designating dedicated personnel or departments to coordinate governmental relations. Proactively obtaining relevant policy information and accurately grasping the government's major policies and

macro-level intentions enables timely adjustments to corporate decision-making. Additionally, voluntarily reporting operational status to relevant government departments fosters understanding and support;

- (5) Proya should establish a dedicated Government Relations & Public Policy department. This team would be responsible for policy monitoring, interpreting new regulations' impact on the business, and ensuring the company's strategy is aligned with national initiatives like 'Made in China 2025.'

Building a relationship based on transparent dialogue and partnership, rather than mere compliance, is key to securing long-term government support.

6. Conclusion

Corporate financial performance evaluation serves as a vital tool for effective management. With the emergence of the stakeholder perspective, integrating stakeholder requirements into performance evaluation systems has become an inevitable trend. Corporate financial performance evaluation should not only serve shareholder returns but also aim to integrate the interests of all parties for mutual benefit. This study has operationalized this principle by constructing a factor analysis model based on stakeholder-defined financial indicators, providing a quantifiable and comparative method for such integration.

Evaluating financial performance for stakeholders requires comprehensive measurement and analysis to ensure more accurate, objective, and holistic outcomes. The case of Proya vividly illustrates that a high composite score can mask significant vulnerabilities in key stakeholder relationships. The horizontal and vertical analysis revealed that its strong market performance is counterbalanced by weaknesses in financial prudence (creditors), human capital investment (employees), and social compliance (government).

Corporate managers must consistently maintain a stance of harmonious coexistence with all stakeholders to achieve long-term success. The recommendations provided, ranging from sophisticated financial controls and strategic human resource development to proactive government engagement, offer a concrete roadmap for Proya to rebalance its priorities. For the broader cosmetics industry, this study serves as a cautionary tale and a demonstration of a methodological framework. It highlights that in an era of heightened regulatory scrutiny and social consciousness, sustainable growth is inextricably linked to a company's ability to nurture trust and create value for its entire stakeholder ecosystem, not just its shareholders.

This study is subject to several limitations that also present opportunities for future research as listed:

- (1) The horizontal analysis was limited to a sample of 15 peer listed companies, which may not fully capture the diversity of the entire cosmetics industry, particularly by excluding influential unlisted enterprises;
- (2) The evaluation framework relies exclusively on financial indicators, omitting critical non-financial dimensions, such as consumer brand loyalty, employee turnover rates, or environmental impact, that are integral to a comprehensive assessment of stakeholder value creation.

Future studies could address these constraints by expanding the peer sample and integrating both financial and non-financial metrics to construct a more holistic and robust stakeholder performance evaluation model.

Disclosure statement

The authors declare no conflict of interest.

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