

CAPITAL STRUCTURE AND LIQUIDITY ON FINANCIAL PERFORMANCE WITH THE MODERATING ROLE OF FIRM SIZE IN INDONESIAN REAL ESTATE COMPANIES IN 2021-2025

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ABSTRACT

This study examines the effect of capital structure and liquidity on financial performance, with firm size as a moderating variable, in Real Estate Management and Development subsector companies listed on the Indonesia Stock Exchange during 2021-2025. Using a quantitative approach, the study analyzed 12 companies with 60 observations selected through purposive sampling. Capital structure, liquidity, financial performance, and firm size were measured using DER, CR, ROA, and the natural logarithm of total assets, respectively. The results show that capital structure and liquidity do not have significant direct effects on financial performance, with significance values of 0.350 and 0.599. The simultaneous effect is also insignificant (0.601). However, the interaction between firm size and capital structure is significant (0.033), as is the interaction between firm size and liquidity (0.010), indicating a significant moderating effect. These findings highlight the importance of considering firm size when examining how financing structure and liquidity relate to financial performance in the real estate industry.

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INTRODUCTION

The increasingly competitive business environment requires companies to maintain sound financial performance to remain competitive and create value for stakeholders. Financial performance reflects a company's ability to manage resources, fulfill obligations, and generate profits over a certain period. It is also an important consideration for investors, creditors, and management when making economic decisions (Agma, 2025). Since 2021, the Indonesia Stock Exchange (IDX) has implemented the IDX Industrial Classification (IDX-IC), replacing the Jakarta Stock Industrial Classification (JASICA). Under this classification, the Real Estate Management and Development subsector represents companies with different

financing and asset characteristics from manufacturing and food and beverage companies. Therefore, examining the determinants of financial performance in this subsector requires consideration of its specific financial characteristics.

Companies in the Real Estate Management and Development subsector generally require substantial investment, rely on fixed assets, and use long-term financing to support property development activities. These characteristics make financing decisions and liquidity management important because property projects generally require large amounts of capital and relatively long development periods. During the 2021-2025 period, the subsector also faced changes in property demand, interest rates, and financing costs following the COVID-19 pandemic. These conditions may affect companies' ability to generate profits and manage their financial resources effectively. Consequently, capital structure and liquidity become relevant factors in explaining differences in financial performance among companies in this subsector.

Capital structure represents the composition of debt and equity used to finance company activities and investments (Himelda & Imelda, 2021). From the perspective of Trade-Off Theory, debt financing can provide benefits through tax advantages, but excessive debt can increase financial distress and financing costs. Therefore, the relationship between capital structure and financial performance depends on whether the benefits of debt are greater than the costs associated with its use. Excessive debt may increase interest expenses and reduce the company's ability to generate profits (Siregar et al., 2024). This argument is particularly relevant to real estate companies because their large investment requirements may encourage greater reliance on external financing. Thus, changes in the Debt to Equity Ratio (DER) may influence the company's ability to generate returns from its assets.

Liquidity is another important factor that may affect financial performance. Liquidity reflects a company's ability to meet short-term obligations using its current assets (Jenita, 2025). According to Pecking Order Theory, companies generally prefer internal financing before relying on external sources of funds. Therefore, the availability and management of internal resources may influence how companies finance their operational and investment activities. Adequate liquidity can support operational continuity and reduce financial difficulties (Syahrani & Sisdianto, 2024). However, excessive liquidity may indicate that current assets are not being utilized efficiently to generate profits (Kinanti & Arsjah, 2025). This condition is particularly important in the real estate subsector because current assets may include receivables, inventories, and development-related assets that require relatively long periods to generate cash.

Although capital structure and liquidity have theoretically important relationships with financial performance, previous empirical findings have not provided a consistent explanation. (Widnyana et al., 2025) reported that previous studies have produced positive, negative, and insignificant findings regarding the effect of capital structure and liquidity on financial performance. (Riswan & Martha, 2024), for example, found that capital structure and liquidity affected financial performance in manufacturing companies. (Zulkarnain et al., 2025) also found that capital structure, firm size, and liquidity affected financial performance in food and beverage companies. However, these findings cannot directly explain whether similar relationships occur in Real Estate Management and Development companies because the characteristics of their assets, financing needs, and project cycles differ from those industries.

The research gap, therefore, is not merely the inconsistency of previous findings, but the limited understanding of under what conditions capital structure and liquidity influence financial performance. Previous studies have generally examined these relationships directly or have focused on manufacturing and food and beverage companies. This leaves an important question unanswered: whether the scale of a company changes the strength of the relationship between capital structure, liquidity, and financial performance in the real estate industry. The answer is important because companies with different asset scales may have different access to financing, financial flexibility, risk management capabilities, and abilities to utilize current assets.

Firm size is theoretically relevant as a moderating variable because larger companies generally have greater access to external financing, stronger investor confidence, and broader resources for managing financial risks. From the perspective of Signaling Theory, firm size can provide a signal of company stability, operational capability, and future prospects to external stakeholders. Larger companies may therefore be in a stronger position to manage debt and liquidity compared with smaller companies. (Salsabila & Purwaningsih, 2025) show that company size is associated with differences in financial characteristics and profitability. This suggests that the effect of capital structure and liquidity may not be identical across companies with different scales.

The moderating role of firm size becomes particularly important in the Real Estate Management and Development subsector. Larger real estate companies generally possess greater asset bases and may have better access to external financing, allowing them to manage debt more effectively. At the same time, larger companies may have stronger capabilities to manage cash, receivables, inventories, and other current assets. As a result, the same level of DER or CR may produce different financial performance outcomes depending on the company's size. (Audi et al., 2025) provide empirical evidence that firm size can moderate the relationship between capital structure, liquidity, and financial performance. However, their research uses a different research setting, leaving uncertainty about whether this moderating mechanism also applies to companies in the Real Estate Management and Development subsector.

Therefore, the specific research gap addressed in this study is the lack of empirical evidence regarding whether firm size changes the effects of capital structure and liquidity on financial performance in the Real Estate Management and Development subsector. Previous studies have established relationships among similar variables, but they have not sufficiently explained the conditional role of firm size within an industry characterized by high investment requirements, long project cycles, substantial fixed assets, and dependence on external financing. This study addresses that gap by integrating the direct effects of capital structure and liquidity with the moderating role of firm size in a single empirical model.

The novelty of this study lies in developing a moderation framework that explains not only whether capital structure and liquidity affect financial performance, but also whether their effects depend on company size within the Real Estate Management and Development subsector. The use of firm size as a moderator provides a more specific explanation of why the effects of DER and CR may differ across companies. The study also examines the 2021-2025 period, which represents a period of economic recovery following the COVID-19 pandemic and follows the implementation of the IDX Industrial Classification. Thus, the contribution of this study is not simply based on a different object or observation period, but on testing whether company scale changes the relationship between financial decisions and financial performance in an industry with distinctive financing and operating characteristics.

Based on the theoretical arguments and previous empirical findings, the first hypothesis proposes that capital structure affects financial performance. The use of debt can provide financing benefits when managed at an appropriate level, but excessive debt may increase financial costs and financial risk. Therefore, based on Trade-Off Theory, capital structure is expected to influence financial performance. H1: Capital structure has a significant effect on financial performance.

The second hypothesis concerns liquidity. Adequate liquidity allows companies to fulfill short-term obligations and maintain operational activities, while excessive liquidity may indicate inefficient utilization of current assets. Based on Pecking Order Theory, internal financial resources are an important source of financing for company activities. Therefore, liquidity is expected to influence financial performance. H2: Liquidity has a significant effect on financial performance.

The third hypothesis examines whether firm size moderates the relationship between capital structure and financial performance. Larger companies generally have greater financing access, stronger financial resources, and better risk management capabilities. Based on Signaling Theory, larger firm size can also provide a positive signal regarding company stability and capability. These conditions may allow larger companies to obtain greater benefits from debt financing than smaller companies. H3: Firm size significantly moderates the effect of capital structure on financial performance.

The fourth hypothesis examines the moderating role of firm size in the relationship between liquidity and financial performance. Larger companies generally have greater resources and stronger management capabilities to utilize current assets efficiently. Therefore, the positive contribution of liquidity to financial performance may differ according to company size. H4: Firm size significantly moderates the effect of liquidity on financial performance.

Based on the foregoing arguments, this study aims to examine the effects of capital structure and liquidity on financial performance and to determine whether firm size moderates these relationships in Real Estate Management and Development companies listed on the Indonesia Stock Exchange during 2021-2025. The study is expected to contribute to financial management literature by providing a more specific explanation of the conditional role of firm size in the relationship between financial decisions and financial performance. The findings may also provide useful considerations for company management, investors, and other stakeholders in evaluating financing and liquidity decisions in the real estate industry.

METHOD

This study employed a quantitative approach using multiple linear regression and Moderated Regression Analysis (MRA) to examine the effects of capital structure and liquidity on financial performance and to test the moderating role of firm size. A quantitative approach was selected because this study used numerical data obtained from companies' annual financial statements and analyzed the relationships among variables statistically (Sugiyono, 2019). The population of this study consisted of all companies in the Real Estate Management and Development subsector listed on the Indonesia Stock Exchange (IDX) during the 2021-2025 period. The sample was selected using purposive sampling based on data completeness and the research criteria. Companies were included in the sample if they remained consistently listed on the IDX and published complete annual financial statements throughout the observation period.

Table 1. Sample Selection Criteria

Criteria	Total
Companies in the Real Estate Management and Development subsector listed on the Indonesia Stock Exchange during 2021-2025	36
Companies that did not meet the data completeness requirements for the research variables (DER, CR, ROA, and firm size)	24
Total companies included in the sample	12
Total research observations (12 × 5 years)	60

Source: Processed Data, 2026

The data used in this study were secondary data obtained from annual reports, financial statements, and supporting company documents. The data were collected from the official website of the Indonesia Stock Exchange and the official websites of the respective companies using documentation and literature review methods. The documentation method was used to obtain financial data, while the literature review was conducted by collecting journals, books, scientific articles, and previous studies related to capital structure, liquidity, firm size, and financial performance.

The unit of analysis consisted of company-year observations from 12 companies over five consecutive years, resulting in 60 pooled observations. Therefore, the analysis treated the data as pooled observations and applied multiple linear regression and Moderated Regression Analysis (MRA) rather than panel data regression. The statistical analysis was conducted using SPSS. Before hypothesis testing, the regression model was evaluated using classical assumption tests consisting of normality, multicollinearity, heteroscedasticity, and autocorrelation tests. Hypothesis testing was then performed using the partial significance test (t-test), simultaneous significance test (F-test), coefficient of determination (R²), and Moderated Regression Analysis (MRA) to examine the moderating effect of firm size.

The independent variables in this study were capital structure (X1) and liquidity (X2), while financial performance (Y) served as the dependent variable and firm size (Z) served as the moderating variable. The operational definitions of the variables were determined based on commonly used financial management indicators and adjusted to the characteristics of companies in the Real Estate Management and Development subsector.

Table 2. Operational Definitions of Variables

Variable	Operational Definition	Measurement	Source
Capital Structure (X1)	The composition of debt and equity used by a company to finance its operating activities and investments.	$DER = \frac{Debt\ to\ Equity\ Ratio}{Total\ Debt}$ $DER = \frac{Total\ Debt}{Total\ Equity}$	(Kurniati & Putri, 2026)

Variable	Operational Definition	Measurement	Source
Liquidity (X2)	The company's ability to meet its short-term obligations using its current assets.	$CR = \frac{\text{Current Ratio (CR)}}{\frac{\text{Current Assets}}{\text{Current Liabilities}}}$	(Kurniati & Putri, 2026)
Financial Performance (Y)	The company's ability to generate profits through the effective utilization of its total assets.	$ROA = \frac{\text{Return on Assets (ROA)}}{\frac{\text{Net Income}}{\text{Total Assets}}} \times 100\%$	(Himelda & Imelda, 2021)
Firm Size (Z)	The scale of a company based on the total assets owned by the company.	$\text{Firm Size (SIZE)} \\ \text{Size} = \ln(\text{Total Aset})$	(Audi et al., 2025)

Source: Processed Data, 2026

Hypothesis testing in this study was conducted using multiple linear regression and Moderated Regression Analysis (MRA). Multiple linear regression was applied to examine the direct effects of capital structure and liquidity on financial performance. Moderated Regression Analysis was subsequently used to determine whether firm size moderates the relationship between capital structure and financial performance as well as the relationship between liquidity and financial performance. The regression models used in this study are presented as follows:

Model 1: Direct Effect Model

$$ROA = \alpha + \beta_1 DER + \beta_2 CR + \varepsilon \quad \dots\dots\dots(1)$$

Model 2: Moderation Model

$$ROA = \alpha + \beta_1 DER + \beta_2 CR + \beta_3 SIZE + \beta_4 (DER \times SIZE) + \beta_5 (CR \times SIZE) \quad \dots\dots\dots(2)$$

Where:

ROA	=	Financial Performance (Return on Assets)
α	=	Constant
$\beta_1 - \beta_5$	=	Regression Coefficients
DER	=	Capital Structure (Debt-to-Equity Ratio)
CR	=	Liquidity (Current Ratio)
SIZE	=	Firm Size (Ln Total Assets)
$DER \times SIZE$	=	Interaction between Capital Structure and Firm Size
$CR \times SIZE$	=	Interaction between Liquidity and Firm Size
i	=	Company
t	=	Observation year
ε	=	Error Term

The first regression model was used to test the direct effects of capital structure and liquidity on financial performance. The second regression model incorporated firm size and the interaction terms between firm size and each independent variable to test the moderating effect. A significant interaction coefficient indicates that firm size moderates the relationship between the respective independent variable and financial performance.

RESULT AND DISCUSSION

Result

Descriptive Statistical Analysis

Table 3. Results of Descriptive Statistical Test

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
LN_SIZE	60	9.630	16.980	13.17000	1.747254
LN_DER	60	-3.22	1.40	-1.0075	1.10481
LN_CR	60	-.11	3.87	1.1880	.85843
LN_ROA	60	-5.57	2.86	-2.7822	1.33743
Valid N (listwise)	60				

Source: Processed Data, 2026

Based on Table 3, the study consists of 60 observations from companies in the Real Estate Management and Development subsector during 2021-2025. Firm Size (LN_SIZE) has a minimum value of 9.630 and a maximum value of 16.980, with a mean of 13.1700 and a standard deviation of 1.747254. Capital Structure (LN_DER) ranges from -3.22 to 1.40, with a mean of -1.0075 and a standard deviation of 1.10481. Liquidity (LN_CR) has a minimum value of -0.11, a maximum value of 3.87, a mean of 1.1880, and a standard deviation of 0.85843. Financial Performance (LN_ROA) ranges from -5.57 to 2.86, with a mean of -2.7822 and a standard deviation of 1.33743. These values indicate differences in the distribution and variability of the observed variables across the sampled companies.

Table 4. Normality Test

Model	Standarized Residual
Kolmogorov-Smirnov	Sig. 0.200
Shapiro Wilk	Sig. 0.078

Source: Processed Data, 2026

Based on Table 4, the standardized residuals have a significance value of 0.200 in the Kolmogorov-Smirnov test and 0.078 in the Shapiro-Wilk test. Both values are greater than 0.05. Therefore, there is insufficient statistical evidence to conclude that the residuals deviate from a normal distribution, indicating that the normality assumption is satisfied.

Table 5. Multicollinearity Test Results

Variable	Tolerance	VIF
LN_DER	0.360	2.776
LN_CR	0.360	2.776

Source: Processed Data, 2026

Based on Table 5, the multicollinearity test shows that both Capital Structure (LN_DER) and Liquidity (LN_CR) have a Tolerance value of 0.360 and a VIF value of 2.776. The Tolerance values are greater than 0.10, while the VIF values are below 10. These results indicate that there is no indication of serious multicollinearity between the independent variables in the direct regression model. Therefore, LN_DER and LN_CR can be included simultaneously in the regression analysis without causing substantial multicollinearity problems.

Table 6. Heteroscedasticity Test Results

Variabel	Koefisien (B)	T-hitung	Signifikansi
LN_DER	0.015	0.125	0.901
LN_CR	-0.132	-0.823	0.414

Source: Processed Data, 2026

Based on Table 6, the Glejser test shows significance values of 0.901 for Capital Structure (LN_DER) and 0.414 for Liquidity (LN_CR). Both values are greater than 0.05. Therefore, there is insufficient statistical evidence of heteroscedasticity

based on the variables tested, indicating that the regression model satisfies the heteroscedasticity assumption.

Table 7. Autocorrelation Test Results

Model	R	R-Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
1	0,507 ^a	0,257	0,188	1,20493	1,618

Source: Processed Data, 2026

Based on Table 7, the Durbin-Watson statistic is 1.618. This value alone is not sufficient to conclude the absence of autocorrelation because the Durbin-Watson statistic should be interpreted by comparing it with the appropriate lower and upper bounds (dL and dU) based on the number of observations and explanatory variables. Therefore, the value of 1.618 is reported as the test statistic, while the conclusion regarding autocorrelation should be based on the corresponding Durbin-Watson critical values.

Table 8. Multiple Linear Regression

Variabel	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
Constant	-2.819	0.304	-	-9.265	0.000
LN_DER	-0.249	0.265	-0.206	-0.941	0.350
LN_CR	-0.180	0.341	-0.116	-0.528	0.599

Source: Processed Data, 2026

Based on Table 8, the multiple linear regression equation is: $LN_ROA = -2.819 - 0.249 LN_DER - 0.180 LN_CR + e$. The coefficient of LN_DER is -0.249, indicating a negative estimated relationship between capital structure and financial performance. The significance value of 0.350 is greater than 0.05. There is insufficient statistical evidence to conclude that capital structure has a significant effect on financial performance. The coefficient of LN_CR is -0.180, indicating a negative estimated relationship between liquidity and financial performance. Its significance value of 0.599 is greater than 0.05. There is also insufficient statistical evidence to conclude that liquidity has a significant effect on financial performance. The negative coefficients should not be interpreted as statistically established effects because both relationships are statistically insignificant.

Table 9. Partial Significance Test (t-Test)

Variabel	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
Constant	-2.819	0.304	-	-9.265	0.000
LN_DER	-0.249	0.265	-0.206	-0.941	0.350
LN_CR	-0.180	0.341	-0.116	-0.528	0.599

Source: Processed Data, 2026

Based on Table 9, Capital Structure (LN_DER) has a t-value of -0.941 and a significance value of 0.350. Since the significance value is greater than 0.05, there is insufficient statistical evidence to conclude that capital structure significantly affects financial performance. Liquidity (LN_CR) has a t-value of -0.528 and a significance value of 0.599. Since the significance value is also greater than 0.05, there is insufficient statistical evidence to conclude that liquidity significantly affects financial performance. Thus, H1 and H2 are not supported because the statistical tests do not provide sufficient evidence of significant effects.

Table 10. F-Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.867	2	0.933	0.513	0.601
Residual	103.668	57	1.819	-	-
Total	105.535	59	-	-	-

Source: Processed Data, 2026

Based on Table 10, the F-value is 0.513 with a significance value of 0.601. Since the significance value is greater than 0.05, the direct-effect regression model is not statistically significant at the 5% significance level. This indicates that Capital Structure and Liquidity, when considered jointly in the direct-effect model, do not provide sufficient statistical evidence of an association with Financial Performance. This result should not be interpreted as meaning that the model is entirely invalid. Rather, it indicates that the two independent variables included in the direct-effect model have limited explanatory power for Financial Performance in the observed sample.

Table 11. Coefficient of Determination Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.133 ^a	0.018	-0.017	1.34860

Source: Processed Data, 2026

Based on Table 11, the R Square value is 0.018. This indicates that Capital Structure and Liquidity jointly explain approximately 1.8% of the variation in Financial Performance in the direct-effect model. The remaining 98.2% is associated with other factors outside the variables included in this model. The Adjusted R Square value of -0.017 further indicates that the explanatory power of the direct-effect model is very limited after considering the number of predictors included.

Table 12. RA Model Fit Results

Keterangan	Nilai
R Square	0.257
Adjusted R Square	0.188
F Hitung	3.738
Sig. F	0.006

Source: Processed Data, 2026

Table 13. MRA Variable Testing Results

Variabel	Koefisien (B)	Sig.
LN_DER	-3.845	0.028
LN_CR	-6.400	0.008
LN_SIZE	-5.333	0.000
INT_DER	0.275	0.033
INT_CR	0.486	0.010

Source: Processed Data, 2026

Based on Tables 12 and 13, the results of the Moderated Regression Analysis (MRA) show an R Square value of 0.257 and an Adjusted R Square value of 0.188. This indicates that Capital Structure (LN_DER), Liquidity (LN_CR), Firm Size (LN_SIZE), and the interaction variables (INT_DER and INT_CR) are able to explain 25.7% of the variation in Financial Performance (LN_ROA), while the remaining 74.3% is explained by other factors outside the research model. The F-test results show an F-value of 3.738 with a significance value of $0.006 < 0.05$, indicating that the MRA model is simultaneously significant and appropriate for use in the analysis. Based on the partial test, the INT_DER interaction variable has a significance value of $0.033 < 0.05$, while the INT_CR interaction variable has a significance value of $0.010 < 0.05$. Firm Size significantly moderates the effect of Capital Structure and Liquidity on Financial Performance in Real Estate Management and Development companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2025.

Discussion

The Effect of Capital Structure on Financial Performance

The insignificant effect of capital structure on financial performance indicates that changes in the proportion of debt relative to equity were not sufficiently strong to influence the profitability of companies in the Real Estate Management and Development subsector during the observation period. Although the direction of the relationship was negative, the finding does not provide sufficient statistical evidence that higher debt levels reduce financial performance. This condition may be related to the characteristics of the real estate industry, which requires substantial investment and generally involves relatively

long project development cycles. Debt financing used for property development may therefore require a longer period before generating revenues and profits. In addition, changes in interest rates and financing costs during the 2021-2025 period may have affected the benefits obtained from debt financing.

This finding can be explained through the Trade-Off Theory, which states that companies consider the benefits of debt, particularly the tax shield, against the potential costs of financial distress and financing risk (Mu'arif & Afridayani, 2023). In the context of real estate companies, the use of debt does not automatically improve profitability because the benefits of additional financing depend on how effectively the funds are allocated to productive projects. When debt is used for projects that have not yet generated sufficient returns, the additional financing may not immediately contribute to ROA. This is consistent with (Sentia et al., 2026), who indicated that the benefits of capital structure depend on the company's ability to achieve an appropriate financing composition. Therefore, the finding suggests that capital structure alone is not sufficient to explain differences in financial performance, while project management, sales performance, operational efficiency, investment decisions, and property market conditions may also play important roles (Rangga & Agnes, 2025). The finding is also consistent with (Kezia & Purba, 2026) who showed that capital structure does not necessarily become a direct determinant of financial performance. The characteristics of real estate companies make the relationship between debt and profitability more dependent on the effectiveness of investment and the timing of project returns. Thus, the absence of a significant effect does not mean that debt is irrelevant, but rather that the available evidence is insufficient to establish a significant direct relationship between capital structure and financial performance in the observed companies.

The Effect of Liquidity on Financial Performance

The insignificant relationship between liquidity and financial performance indicates that the ability of companies to meet short-term obligations was not sufficient to explain differences in profitability during the research period. The negative direction of the relationship suggests that higher liquidity did not automatically translate into higher returns from total assets. In real estate companies, current assets may include property inventories, receivables, and other assets that cannot always be converted into cash quickly or directly generate profits. Consequently, a high Current Ratio may reflect the availability of current assets without necessarily indicating that these assets are being utilized productively.

This finding needs to be viewed carefully in relation to the Pecking Order Theory. The theory primarily explains companies' preference for internal financing before external financing rather than directly explaining the relationship between liquidity and profitability (Sembiring & Sudirgo, 2021). Therefore, the theory can provide supporting context but does not fully explain the direct relationship between CR and ROA. In this study, the more relevant explanation is that liquidity can contribute to financial performance only when current assets are managed efficiently and converted into productive activities (Syahrani & Sisdianto, 2024). Similarly emphasize that adequate liquidity helps companies maintain operations, but the existence of current assets alone does not guarantee higher profitability.

The characteristics of the Real Estate Management and Development subsector may further explain this finding. Property development involves relatively long project cycles, meaning that assets associated with development activities may require considerable time before generating revenue. Therefore, maintaining a high level of current assets may not immediately improve ROA. This finding is consistent with (Wari, 2024) who found that liquidity does not have a significant effect on financial performance. Differences between studies may arise from differences in industry characteristics, observation periods, and companies' asset management strategies.

The Simultaneous Effect of Capital Structure and Liquidity on Financial Performance

The simultaneous test indicates that capital structure and liquidity, when considered together, do not provide sufficient statistical evidence to explain variations in financial performance. This result suggests that the combination of financing composition and short-term liquidity management was not the main determinant of profitability among the observed Real Estate Management and Development companies. The result should not be interpreted as meaning that capital structure and liquidity are completely irrelevant to company performance. Rather, the evidence indicates that their combined contribution was limited within the direct regression model used in this study.

The relatively low R Square value further indicates that capital structure and liquidity explain only a small proportion of the variation in financial performance. Most of the variation is therefore associated with other factors that are not included in the model. In the real estate industry, profitability may also depend on sales growth, project completion, property demand,

operational efficiency, asset utilization, investment decisions, corporate governance, and broader economic conditions. These factors can become particularly important because property development requires substantial capital and relatively long periods before investments generate returns.

This finding is in line with (Hartono & Mudjijah, 2026), who emphasized that financial performance is influenced by various internal and external factors beyond capital structure and liquidity. The relatively low coefficient of determination is also consistent with the findings of (Kurniati & Putri, 2026), also showed that the relationship between financial variables and financial performance may remain limited when other relevant determinants are not included in the model. Therefore, the low explanatory power of the direct model provides an indication that financial performance in the Real Estate Management and Development subsector is relatively complex and cannot be adequately explained by capital structure and liquidity alone.

The Role of Firm Size in Moderating the Effect of Capital Structure on Financial Performance

The MRA results indicate that the interaction between capital structure and firm size is statistically significant, with a positive interaction coefficient. This finding indicates that firm size changes the relationship between capital structure and financial performance, with the positive interaction suggesting a strengthening direction. Thus, the effect of capital structure on financial performance becomes more favorable as firm size increases. The finding can be explained through the Trade-Off Theory and Signaling Theory. From the Trade-Off Theory perspective, larger companies may have greater capacity to manage debt-related risks because they generally have broader asset bases and greater access to financing. This may allow larger companies to obtain the benefits of debt while managing the associated financial risks more effectively. From the Signaling Theory perspective, firm size can provide information regarding a company's scale, stability, and ability to manage business activities (Widhiatmoko & Sucipto, 2025). Therefore, debt financing may produce different outcomes depending on the size and resource capacity of the company.

This relationship is particularly relevant to the Real Estate Management and Development subsector because larger companies generally manage larger projects and asset portfolios. Their greater resources may provide more flexibility in managing financing obligations and allocating debt to development activities. Consequently, debt may be more effectively utilized by larger companies than by smaller companies. This finding is consistent with (Audi et al., 2025), who found that firm size moderated the relationship between capital structure and financial performance. However, the positive interaction coefficient should be interpreted as evidence of a moderating strengthening effect, rather than as proof that firm size itself directly increases profitability.

The Role of Firm Size in Moderating the Effect of Liquidity on Financial Performance

The MRA results also show that the interaction between liquidity and firm size is statistically significant and positive. This finding indicates that firm size moderates the relationship between liquidity and financial performance, with the positive interaction suggesting that the relationship becomes stronger as firm size increases. Therefore, the effect of liquidity on financial performance differs according to the size of the company. The finding can be understood from the perspective of resource capacity. Larger companies generally possess greater organizational resources and broader operational capacity, which may enable them to manage current assets more effectively. Liquidity in larger companies may therefore have greater potential to support operational activities, manage receivables, and maintain the continuity of property development projects. In contrast, smaller companies may have more limited resources and may not be able to utilize available liquidity as efficiently.

Signaling Theory also provides supporting arguments because firm size can reflect the company's scale and capacity to manage its resources (Widhiatmoko & Sucipto, 2025). However, firm size should not be interpreted as automatically improving financial performance. Its moderating role indicates that the relationship between liquidity and profitability depends partly on the company's ability to convert available resources into productive activities. This is relevant to the Real Estate Management and Development subsector because long project cycles can cause substantial resources to remain tied to development activities before generating returns. (M. R. S. Putri et al., 2024) and (A. R. Putri et al., 2025) provide supporting evidence that asset scale and the characteristics of property development can influence how financial resources contribute to company performance. The finding is consistent with (Audi et al., 2025), who found that firm size moderates the relationship between liquidity and financial performance. The results suggest that company size is an important contextual factor in understanding the relationship between liquidity and profitability. Because moderation is based on the significance and direction of the interaction coefficient, further simple slope or marginal effect analysis would provide a

more detailed explanation of how the relationship changes across different levels of firm size.

CONCLUSION

Based on the research findings, capital structure and liquidity do not have a significant effect on the financial performance of Real Estate Management and Development companies listed on the Indonesia Stock Exchange during 2021-2025. However, the significant interaction effects indicate that firm size moderates the relationships between capital structure and liquidity with financial performance. The positive interaction coefficients suggest a strengthening direction, although further interaction analysis is needed to explain the moderation mechanism more precisely. Future research may consider additional variables such as sales growth, asset turnover, corporate governance, interest rates, and macroeconomic conditions, as well as longer observation periods and other industry sectors to provide broader evidence on the determinants of financial performance.

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