

## MODERATING EFFECTS OF FIRM SIZE ON THE RELATIONSHIP BETWEEN PROFITABILITY, LIQUIDITY, AND CAPITAL STRUCTURE: A STUDY ON INDONESIAN REAL ESTATE COMPANIES

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### Abstract

This study aims to analyze the effect of profitability and liquidity on capital structure, as well as the moderating role of firm size in the relationship between these variables in real estate companies listed on the Indonesia Stock Exchange during the 2021-2023 period. The data used in this study were obtained from publicly available financial reports. The method employed is panel data regression with the Moderated Regression Analysis (MRA) approach to test the moderating effect of firm size. The results show that profitability does not significantly impact capital structure, while liquidity has a significant negative effect on capital structure. Additionally, firm size was found to moderate the relationship between liquidity and capital structure but does not moderate the effect of profitability on capital structure. This research contributes to the development of capital structure literature in Indonesia's real estate sector and provides practical insights for companies in formulating more effective funding strategies in a dynamic market.

Keywords: Capital Structure, Firm Size, Liquidity, Profitability.

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### 1. Introduction

Capital structure plays a very important role in a company's financial decisions because it can affect the company's capital costs, stability, and competitiveness in the face of market competition. In Indonesia, the property and real estate sector faces major challenges related to funding, especially in the period 2021 to 2023, when economic uncertainty and market changes affect decisions related to capital structures. The sector, which is listed on the Indonesia Stock Exchange (IDX), experienced a decline in several performance indicators, including the Debt to Equity Ratio (DER), which reflects a decline in the use of debt in the Company's capital structure (Setiawan, 2020). Although the sector shows a relatively low level of profitability, many companies are opting to reduce the use of debt, which raises questions about the influence of liquidity and company size on their capital structure decisions (Siregar, F., & Wang, 2022).

The property sector, which is highly vulnerable to economic turmoil and market uncertainty, requires a flexible and appropriate funding strategy. Therefore, it is important to understand how profitability and liquidity can influence capital structure decisions, as well as how company size can moderate the relationship between these variables. This phenomenon reveals a discrepancy between the theory that companies will tend to increase their use of debt when faced with low profitability, and the reality that occurs in this sector. This study aims to fill the existing literature gap regarding the influence of liquidity, profitability, and company size on capital structure decisions, especially in Indonesia's property sector which is adapting to the post-pandemic impact.

This research is based on two main theories, namely Pecking Order Theory and Trade-off Theory. The Pecking Order Theory, put forward by Myers and Majluf (1984), stating that the company prefers to use internal funds first before seeking external financing through debt or the issuance of shares. This is in line with the observation that companies with high levels of profitability tend to avoid adding debt (Gertler et al., 2021). In contrast, the Trade-off Theory explains that companies must balance the tax benefits that can be obtained from the use of debt with the risk of bankruptcy that may occur due to excessive debt increases (Kraus, A., & Litzenberger, 1973). These two theories form the basis of the analysis to examine the relationship between profitability, liquidity, and capital structure in this study.

In addition, company size is proposed as a moderation variable in the relationship between liquidity and capital structure. Research by Titman and Wessels (1988) Indicates that large companies have easier access to external financing and tend to use more debt in their capital structures. Therefore, the size of the firm is expected to play an important role in moderating the relationship between liquidity and capital structure decisions (Harris, M., & Raviv, 1991). Most previous research has focused more on the direct influence between profitability and liquidity on capital structure, but few have examined the role of firm size moderation in this relationship, especially in the context of Indonesia's property sector. Several previous studies have shown a significant relationship between liquidity and capital structure (Jensen, M., & Meckling, 2020), but few have examined how the size of a company can strengthen or weaken those relationships. Therefore, this study aims to fill this gap by examining how company size can moderate the relationship between liquidity and capital structure in Indonesia's property sector which is facing economic uncertainty and the impact of the global crisis.

This study aims to examine the influence of profitability and liquidity on capital structure in real estate companies listed on the Indonesia Stock Exchange during the period 2021 to 2023. This study also aims to examine the role of company size moderation in the relationship between profitability, liquidity, and capital structure. Thus, it is hoped that this research can make a theoretical contribution to the development of the literature on capital structure and provide practical contributions that are useful for companies in formulating funding strategies that are more effective and responsive to dynamic market conditions.

## 2. Theoretical Background

### 2.1 Theory Review

Capital structure is an important component in a company's financial decisions that affect its stability and competitiveness in the market. According to the theory *Pecking Order* submitted by Myers and Majluf (1984), the company prefers to use internal funds, such as retained earnings, before seeking external financing through debt or stock issuance. This is due to the uncertainty that accompanies the use of debt, which tends to increase the risk of bankruptcy (Mukaromah, A., & Suwanti, 2022). Instead, *Trade-off theory* states that the company should balance the gains made from tax savings through the use of debt with the risk of bankruptcy due to its high (Kahya et al., 2020).

However, although both theories provide a general framework regarding the structure of capital, empirical findings point to differences between theory and practice. For example, research by Cahyani and Nyale (2022) in the property sector shows that companies with high liquidity prefer to avoid debt, which is in line with the *Pecking Order Theory* which emphasizes internal funding. On the other hand, in other sectors such

as manufacturing, high liquidity can actually encourage companies to rely more on external financing (Muna, A., & Kartini, 2022).

This research has an important contribution, considering the gap of understanding between theory and real application in the property sector in Indonesia. Therefore, further research is needed on how liquidity, profitability, and company size play a role in capital structure decisions, particularly in the property sector which is adapting to global economic challenges and post-pandemic impacts.

## 2.2. Conceptual Framework

The framework of thought in this study is built on theories that relate profitability, liquidity, and company size to capital structure. Capital structure, which is a dependent variable in this study, is measured using *the Debt to Equity Ratio (DER)*, which reflects the balance between the use of debt and equity in corporate financing. As an independent variable, *profitability* is measured using Return on Assets (ROA), which describes a company's ability to generate profits, while *liquidity* is measured using *the Current Ratio (CR)*, which reflects a company's ability to meet short-term liabilities.

Company size serves as a moderation variable in this study. The size of a company is measured by the natural logarithm of total assets, which describes the company's capacity to access external resources and funding. This study aims to examine how profitability and liquidity affect capital structure, as well as to analyze how company size can moderate the relationship between these variables.

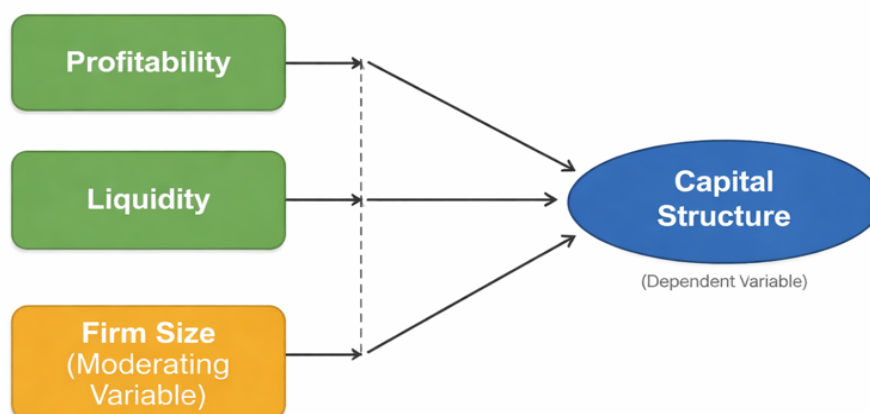


Figure 1. Conceptual Framework

## 2.3. Empirical Review

Previous studies have shown mixed results on the effect of profitability and liquidity on capital structure. Research by Dewidan Fachrurrozie (2021) reveals that profitability has a negative effect on the capital structure, which is in line with *Pecking Order Theory*, which states that companies with high profitability prefer to rely on internal funding. However, a different finding was found by Puteri et al., (2024) and Muzaki & Setijaning (2024), which reports that profitability has a positive influence on capital structure, indicates that more profitable companies tend to use more debt.

Liquidity, as another variable, also shows mixed results. Research by Cahyani & Nyale (2022) and Sons of Erisa & Deliza Henny (2023) found that liquidity had a negative effect on capital structure, which was consistent with *Pecking Order Theory*. However, research by Luthfita et al. (2022) suggests that liquidity does not have a significant influence on capital structure, reflecting that this variable may be more influenced by other factors in the context of a particular sector.

In addition, company size serves as a moderation variable that can affect the relationship between independent variables and capital structure. Research by Muzaki & Setijaning (2024) suggests that firm size can moderate the relationship between profitability and capital structure, while other studies, such as those conducted by Mukaromah & Suwarti (2022), show different results.

The following is a table summarizing the findings of relevant previous studies:

**Table 1. Previous Research**

No.	Author and Year	Methods Used	Key Findings	Research Gap
1	Dewidan Fachrurrozie (2021)	Regresi, DER, ROA, CR, Size	Profitability (-), Liquidity (-), Asset Structure (-), Company Size (+)	The research is limited on moderation variables and the property sector in Indonesia.
2	Son of Erisa & Deliza Henny (2023)	Data Panel, MRA, DER, Earning to Capital, Firm Size	Liquidity (-), Profitability (+), Company Size (+)	It does not examine the moderation of company size in the Indonesian property sector.
3	Princess et al.,(2024)	DER, ROA, CR, Size	Profitability (+), Liquidity (+), Company Size (+)	Lack of exploration of company size moderation in the property sector.
4	Muzaki & Setijaning (2024)	DER, ROA, CR, Asset Structure, Size	Profitability (+), Liquidity (-), Asset Structure (+), Company Size (+)	More research is needed to link company size to other variables.
5	Luthfita et al. (2022)	Data Panel, DER, ROA, Assets Structure, CR	Liquidity has no significant effect on capital structure	More in-depth research on company size in moderation of other variable relationships.

The table above provides an overview of gaps in the existing literature, as well as areas that are still open for further research. This study focuses on filling this gap by examining the role of company size moderation on the relationship between liquidity, profitability, and capital structure in Indonesia's property sector facing global economic challenges.

### 3. Methods

This study uses a quantitative approach with a design *causal-comparative* (causal-comparative) or *Explanatory Research*, which was chosen because of its purpose to test the cause-and-effect relationship between independent variables, i.e. profitability and liquidity, against dependent variables, i.e. capital structure, as well as to test the influence of moderation of company size. This design allows researchers to analyze the direct influence between variables and the impact of moderation that may occur, as described by Setiawan (2020).

The population in this study is real estate and property sector companies listed on the Indonesia Stock Exchange (IDX) in the period 2021 to 2023. Based on the criteria that

have been determined, the population studied includes 94 companies listed on the IDX. The research sample was determined using the *purposive sampling*, i.e. sample selection based on certain criteria relevant to the research objectives. The criterion is that the company has consistently published audited annual financial statements during the period. After selection, 38 companies were obtained as an initial sample, resulting in 114 firm-years for panel observation. Data containing extreme values (outliers) are then analyzed using the *Z-score*, resulting in a final sample of 21 companies with 63 observations (Siregar, F., & Wang, 2022).

Data collection is carried out through documentation using secondary data, obtained from annual financial statements and *Annual Report* companies published on the Indonesia Stock Exchange and other trusted sources. Because this study is based on quantitative secondary data, no data collection instruments such as questionnaires, Likert scales, or structured observations of human participants are required. Therefore, the construct validity and reliability tests such as *Cronbach's Alpha* is not applied in this study, because the data used is in the form of financial ratios taken from audited financial statements (Muna, A., & Kartini, 2022).

The operational definition of the variables in this study is as follows: capital structure is measured using *Debt to Equity Ratio (DER)*, which describes the comparison between the use of debt and equity in corporate financing. Profitability is measured by using *Return on Assets (ROA)*, which reflects the company's ability to generate profits from the assets it owns. Liquidity is measured using *Current Ratio (CR)*, which shows the company's ability to meet short-term obligations. Company size is measured by *natural logarithm of total assets (Ln Size)*, that reflect the company's capacity to access external resources and funding (Setiawan, 2020).

For data analysis, this study uses Regression Data Panel with model *Moderated Regression Analysis (MRA)* to test the role of company size moderation on the relationship between liquidity, profitability, and capital structure. Model selection is carried out by test *Chow*, test *Hausman*, and test *Lagrange Multiplier* to determine if the model *Fixed Effect* or *Random Effect* which is more suitable for the data panel used. In addition, classical assumption tests were carried out, including normality tests using *Jarque-Bera*, heteroscedasticity test using *Glejser*, multicollinearity test through correlation between independent variables, as well as autocorrelation test with statistics *Durbin-Watson*. Hypothesis testing was carried out by determination coefficient test and partial test (*T test*) with a significance level of 5%. All data analysis was conducted using EViews 12 and Microsoft Excel (Kahya et al., 2020).

Ethically, this study only uses public data derived from annual financial statements published by companies listed on the IDX, so it does not involve human participants directly. Therefore, an informed consent procedure is not required. However, all data used is maintained anonymously and is only used for scientific purposes. This research process is carried out in accordance with the principles of research ethics that prioritize academic integrity, citation accuracy, analytical objectivity, and ethical and scientific use of data (Mukaromah, A., & Suwarti, 2022).

## 4. Results and Discussion

### 4.1 Descriptive Statistics

In the first stage, a descriptive statistical analysis was carried out to describe the characteristics of each variable involved in this study. The following is a summary of

descriptive statistics for the variables Profitability (ROA), Liquidity (CR), Capital Structure (DER), and Company Size (Ln Size).

**Table 2. Descriptive Statistics for Variables.**

Variable	Average	Baku Junction	Min	Max
Profitability (ROA)	0.0378	0.0218	0.0010	0.0880
Liquidity (CR)	2.3521	1.1627	0.2666	5.1560
Capital Structure (DER)	0.5705	0.3956	0.0004	1.5333
Company Size (Ln Size)	28.971	1.7882	25.754	31.833

Source: Data processed by the Author

**Profitability (ROA):** The average level of profitability measured by the Return on Assets (ROA) in this study sample is 0.0378, which means that these companies on average generate a profit of 3.78% of the total assets owned. The standard deviation recorded at 0.0218 shows that the variation in profitability between firms in this sample is relatively small. The minimum value found is 0.0010, which indicates the presence of a company with very low profitability, while the maximum value reaches 0.0880, reflecting a company with very high profitability.

**Liquidity (CR):** For the liquidity variable, measured by the Current Ratio (CR), the average liquidity ratio of companies is 2.3521, which indicates that the companies have more than enough current assets to meet their short-term obligations more than double. The standard deviation of 1.1627 indicates a significant variation in the liquidity ratio between companies. Some companies have relatively low liquidity ratios, with a minimum value of 0.2666, while others have a much higher ratio, with a maximum of 5.1560.

**Capital Structure (DER):** The average Debt to Equity Ratio (DER) of companies in this sample is 0.5705, which means that on average these companies use almost half of the debt they have. With a standard deviation of 0.3956, this shows that there is considerable variation in the use of debt between companies. The minimum value found was 0.0004, which indicates that some companies hardly use debt, while the maximum value was recorded at 1.5333, which indicates that other companies are more reliant on debt in their capital structure.

**Company Size (Ln Size):** The average company size, measured by the natural logarithm of total assets (Ln Size), is 28,971, indicating that the companies studied are relatively large. The standard deviation of 1.7882 indicates significant variation in the size of the firm, with the minimum value recorded at 25.754, and the maximum value reaching 31.833, illustrating the considerable difference in the size of total assets between firms in the study sample.

#### 4.2. Model Selection Tests

To choose the right model in data analysis, several diagnostic tests are performed. The following are the results of the Chow test, Hausman test, and Lagrange Multiplier (LM) test used to determine the most suitable model for the panel data in this study.

**Table 3. Selection Model Test Results**

Test	Value p	Recommended Models	Interpretation
Chow Test	0.0045	Fixed Effect Model (FEM)	The FEM model is more precise, as $p < 0.05$ shows significant differences between entities.

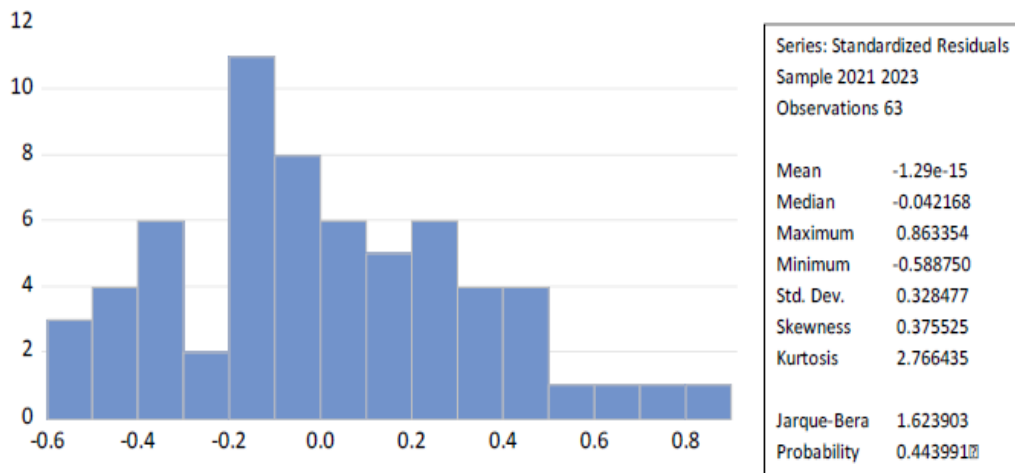
Test	Value p	Recommended Models	Interpretation
Hausman Test	0.4429	Random Effect Model (REM)	The REM model is more appropriate, as $p > 0.05$ shows no significant correlation between individual effects and independent variables.
LM (Lagrange Multiplier) Test	0.0000	Random Effect Model (REM)	The REM model is more suitable, as $p < 0.05$ indicates a better REM model than the Common Effect model.

Chow's test shows that the p-value is 0.0045, which is smaller than 0.05. This indicates that the Fixed Effect Model (FEM) is more appropriate for this data, as there are significant differences between the entities being analyzed. Thus, FEM is better able to capture individual variations between companies included in the sample.

The Hausman test yields a p-value of 0.4429, which is greater than 0.05. These results show that the Random Effect Model (REM) is more appropriate for this study. No significant correlation was found between the individual effects of the firm and independent variables, so the REM model was considered more efficient in the analysis of the data of this panel.

Lastly, the Lagrange Multiplier (LM) test shows a very significant p-value, which is 0.0000, which is smaller than 0.05. These results indicate that the Random Effect Model (REM) is more accurate than the Common Effect Model (CEM), because there are significant differences between the two models. REM is better suited for this panel data, which takes into account variations between different companies.

### 4.3. Classical Assumption Test Results



**Figure 2. Normality Test Results**

In the Normality Test, the Jarque-Bera results showed that the residual data was initially not distributed normally, with a p value of less than 0.05. However, after the removal of outliers using Z-score, the data was distributed normally with a p value of 0.4439, which is greater than 0.05. This shows that this regression model meets the assumption of normality, which is important for the validity of the regression analysis.

**Table 4. Heteroscedasticity Test Results**

Variable	Prob.
Constant (C)	0.2738
Profitability (ROA)	0.7808
Liquidity (CR)	0.8649
Company Size (Ln Size)	0.1333
Profitability x Company Size (ROA x Ln Size)	0.6933
Liquidity x Company Size (CR x Ln Size)	0.9896

Source: Eviews 12, data processed by the author

The results of the heteroscedasticity test using the Glejser test showed that all p-values for the tested variables were greater than 0.05. This indicates that there is no heteroscedasticity problem in the regression model. In other words, the residual variance did not undergo significant changes between the variables analyzed, which means that the model is free from heteroscedasticity problems.

**Table 5. Multicollinearity Test Results**

Variable	Profitability (ROA)	Liquidity (CR)	Company Size (Ln Size)
Profitability (ROA)	1.000000	0.169096	0.412297
Liquidity (CR)	0.169096	1.000000	0.089866
Company Size (Ln Size)	0.412297	0.089866	1.000000

The results of the multicollinearity test showed that there was no significant multicollinearity problem between independent variables, as all correlation values between variables were below the 0.8 threshold. For example, the relationship between Profitability (ROA) and Company Size (Ln Size) shows a correlation of 0.4123, which is still within acceptable limits, while the correlation between Liquidity (CR) and Company Size (Ln Size) is very low (0.0899). These values suggest that each independent variable in the model is not too strongly correlated with each other, which means that multicollinearity would not be an issue in this regression analysis.

**Table 6. Autocorrelation Test Results**

Remarks	Value	Remarks	Value
R-squared	0.505366	Mean dependent var	0.118283
Adjusted R-squared	0.461977	S.D. dependent var	0.163322
S.E. of regression	0.119797	Sum squared resid	0.818019
F-statistic	11.64735	Durbin-Watson stat	2.081652
Prob(F-statistic)	0.000000		

The results of the autocorrelation test using *Durbin-Watson statistics* showed a value of 2.081652, which is in the accepted range (1.5 – 2.5). This indicates that there is no autocorrelation in the residual model. In addition, the *R-squared* value of 0.505366 indicates that this regression model explains about 50.54% variation in the dependent variable. The *adjusted R-squared* of 0.461977 confirms that this model is quite good at explaining the variation in data controlled by independent variables.

A fairly high *F-statistical* value (11.64735) with a very small *p-value* (0.000000) indicates that the regression model as a whole is significant in explaining variability in the data, as well as providing confidence that the variables used in this model can contribute to the explanation of variation in dependent variables.

#### 4.4. Panel Data Regression Analysis

**Table 7. Panel Data Regression Analysis with Interaction Variables**

Variable	Coefficients	t-Statistics	Prob.	Remarks
C	2.7143	1.5558	0.1253	Insignificant
Profitability (ROA)	-0.6924	-0.0283	0.9775	Insignificant
Liquidity (CR)	-1.3838	-3.2741	0.0018	Significant
Company Size (Ln Size)	-0.0629	-1.0227	0.3107	Insignificant
Profitability x Company Size (ROA x Ln Size)	-0.0455	-0.0541	0.9570	Insignificant
Liquidity x Company Size (CR x Ln Size)	0.0440	2.8900	0.0054	Significant

The results of the panel's data regression analysis revealed several significant findings regarding the interaction between the variables of profitability, liquidity, and capital structure. At constant (C), the coefficient obtained is 2.7143 with a p-value of 0.1253, which indicates that the constant in this model is insignificant. A p-value greater than 0.05 indicates that the constant does not make a meaningful contribution to the explanation of variation in the structure of the capital.

For profitability (ROA), the coefficient found was -0.6924 with a p-value of 0.9775, which also indicates that profitability did not have a significant influence on the capital structure in the tested model. This means that the relationship between the company's profitability level and the decision to use debt in the capital structure is not strong enough to influence the company's financing decisions.

Meanwhile, for liquidity (CR), the coefficient obtained is -1.3838 with a t-statistic of -3.2741 and a p value of 0.0018. With a p value of less than 0.05, it can be concluded that liquidity has a significant negative effect on the capital structure. This suggests that the higher the company's liquidity level, the more likely it is that the company will reduce its dependence on debt and prefer to use internal funds for financing.

On the other hand, the Company Size (Ln Size) has a coefficient of -0.0629 with a p value of 0.3107, which is greater than 0.05, thus indicating that the size of the company does not have a significant influence on the capital structure. Although firm size is often considered an important factor in capital structure theory, in this study, this variable did not show a clear relationship with capital structure decisions in the sector studied.

For the interaction between Profitability and Company Size (ROA x Ln Size), the coefficient obtained was -0.0455 with a p value of 0.9570, which is very high. Such a large p-value indicates that the interaction between these two variables does not have a significant effect on the capital structure, meaning that the size of the company does not play a role in moderating the relationship between profitability and the use of debt in corporate financing.

On the other hand, in the interaction between Liquidity and Company Size (CR x Ln Size), a coefficient of 0.0440 was found with a t-statistic of 2.8900 and a p value of 0.0054. A p-value smaller than 0.05 indicates that the size of the company has a significant influence in moderating the relationship between liquidity and capital structure. This suggests that larger firms have greater power in managing capital structure decisions, even when the company's liquidity levels are high, as they have easier access to external financing resources.

#### 4.5. Discussion of Research Results

Based on Table 7 Hypothesis Test Results, the hypothesis test results show several important findings regarding the influence between profitability, liquidity, and capital structure, as well as the role of company size moderation in the relationship.

a) H1: Profitability → Capital Structure

The test results showed a coefficient of -0.6924 with a t-statistical value of -0.0283 and a p-value of 0.9775, which is greater than 0.05. This suggests that profitability does not have a significant influence on the capital structure. In this case, although profitability is an important variable in capital structure theory, the results of this study show that companies with high profitability do not directly influence the decision to use debt in their capital structure.

b) H2: Liquidity → Capital Structure

The test results for this hypothesis show a coefficient of -1.3838, a t-statistic of -3.2741, and a p-value of 0.0018, which is smaller than 0.05, so it can be concluded that liquidity has a significant negative influence on the capital structure. This indicates that companies with high levels of liquidity tend to reduce the use of debt, preferring to finance operational activities with internal funds. These results are in line with the pecking order theory, which emphasizes that companies prefer internal funding first before resorting to debt.

c) H3: Measures to Moderate Profitability → Capital Structure

The moderation test between the size of the company and profitability showed a coefficient of -0.0455, a t-statistic of -0.0573, and a p-value of 0.9570. A p-value greater than 0.05 indicates that the size of the firm does not have a significant moderation effect on the relationship between profitability and capital structure. This indicates that the size of the company does not strengthen or weaken the influence of profitability on the decision to use debt in the company's capital structure.

d) H4: Liquidity Moderation Measures → Capital Structure

For this hypothesis, the results show a coefficient of 0.0440, a t-statistic of 2.8900, and a p-value of 0.0054, which is smaller than 0.05, suggesting that the size of the company moderates the relationship between liquidity and capital structure significantly. Companies with larger sizes tend to have easier access to external financing despite having high levels of liquidity, which shows the important role of company size in decision-making related to debt and capital structure.

#### 5. Conclusion

This study aims to evaluate the impact of profitability and liquidity on capital structure and to examine the role of company size moderation in the relationship between the two variables in property companies listed on the Indonesia Stock Exchange during the 2021–2023 period. Based on the results of the analysis conducted, it can be concluded that profitability has a negative effect on the capital structure, which is in line with the *Pecking Order Theory* which states that companies with a high level of profitability tend to avoid using debt. On the other hand, liquidity also shows a significant negative influence on capital structure, indicating that companies with high liquidity prefer to use internal funds rather than debt.

The results of this study also reveal that company size plays a role as a moderation variable in the relationship between liquidity and capital structure. Companies with larger sizes tend to be more open to using debt despite having high liquidity, as they have easier access to external financing. These findings reinforce the *Trade-off Theory*, which states

that large companies have the capacity to balance the benefits of using debt with the risk of bankruptcy.

Theoretically, this study contributes by examining the role of company size moderation in the relationship between liquidity and capital structure, which is still rarely found in the literature, especially in the Indonesian property sector. This research expands the understanding of how internal factors such as profitability and liquidity, as well as external factors such as company size, influence capital structure decisions, especially in the property sector which is adapting to the impact of the global and post-pandemic crisis. In practical terms, the results of this study provide guidance for companies in formulating more appropriate funding strategies, as well as for policymakers in the property sector to design policies that support the stability of corporate funding.

Even so, there are several limitations that need to be considered. First, this study only uses secondary data that is limited to companies listed on the Indonesia Stock Exchange, which can limit the generalization of these findings to the entire property sector. Second, this study only examines three main variables, namely profitability, liquidity, and company size, without considering other external factors that can influence capital structure decisions.

For further research, it is recommended that the scope of the variables studied be expanded, for example by including macroeconomic factors or government policies that can also influence the company's funding decisions. In addition, further research could involve a broader sample, including companies not listed on the Indonesia Stock Exchange, to get a more comprehensive picture of the capital structure in Indonesia's property sector. Using a mixed methodology approach or qualitative studies can also provide a deeper perspective on the dynamics of decision-making in corporate financing.

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