

HOW PROFITABILITY, LIQUIDITY, CAPITAL STRUCTURE, AND FIRM SIZE INFLUENCE FIRM VALUE

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Abstract

This study examines the impact of profitability, capital structure, liquidity, and firm size on the firm value of real estate companies listed on the Indonesian stock exchange from 2020-2024. Driven by inconsistent prior findings across economic cycles, this research addresses a gap by analyzing financial determinants during the 2020-2024 interest rate fluctuations and shifting financing landscapes. A quantitative design was used with 90 panel observations from 18 companies, analyzed via EViews 14. Results show that profitability and capital structure have no significant impact, while liquidity and firm size have a strong negative impact. Simultaneously, independent variables influence firm value. These findings suggest that financial performance and financing policies interact to shape market appreciation, providing updated evidence on liquidity efficiency and asset utilization in the current economy. This study offers valuable insights for managers, investors, and regulators.

Keywords: *Capital Structure, Firm Size, Firm Value, Liquidity, Profitability*

1. Introduction

Throughout 2020-2024, Bank Indonesia's benchmark interest rate policy underwent notable adjustments that directly influenced the property and real estate industry. These movements affected financing availability, borrowing expenses, and access to credit for both companies and households, particularly in construction loans, working capital loans, and mortgage facilities (KPR). Mahendra & Sahibuddin (2022) explain that rising interest rates generally increase financing costs, lower purchasing power, and weaken demand for property, whereas declining rates may stimulate investment and boost sales. Changes in interest rates can therefore put pressure on profitability, increase debt risk, and lower

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liquidity through higher interest costs. Consequently, the financial performance and value of businesses in this industry are likely to be influenced by changes in interest rates at the time of observation. In addition, the 2020-2024 period also reflects the post-COVID-19 recovery phase, during which the property and real estate sector faced adjustments in consumer demand, financing patterns, and investment activity following the economic disruptions caused by the pandemic. These conditions further support the relevance of examining firm value determinants during this observation period.

Firm value is an important metric that the market uses to assess a company's current performance and future potential. Increased investor and shareholder confidence is frequently correlated with companies that have higher firm values. Market valuation in the property and real estate sector may also be affected by shifts in financing costs and business risk driven by fluctuations in interest rates. Yulianti et al. (2022) argue that business value represents investor opinions of corporate performance and future potential, whereas solid fundamentals can boost confidence and support higher valuations (Dewi & Muhyarsyah, 2025). As a result, analyzing the determinants of business value is critical, particularly in industries that are highly susceptible to macroeconomic and financial dynamics.

Profitability and capital structure are important factors that affect a company's value because they show how well an organization manages its finances while generating profit. Profitability reflects how effectively assets are used to generate revenue; strong profitability is typically positively correlated with better financial performance and higher investor confidence, which ultimately increases the value of the company (Pangestuti et al., 2022). Although its effect on business value varies depending on the situation, capital structure emphasizes the balance between debt and equity used to fund a company's operations and expansion strategies. Debt and equity decisions remain important indicators of financial soundness, especially for property and real estate enterprises that rely substantially on long-term financing (Bui et al., 2023). As a result, when determining a company's value, profitability and capital structure remain crucial factors.

A company's valuation is heavily influenced by its operational capacity and ability to meet obligations, which are measured by its size and liquidity level, respectively. Although its importance is still debated in the empirical literature, stable liquidity can boost investor sentiment as an indicator of the capacity to meet short-term debt obligations through current assets (Yulianti et al., 2022). Meanwhile, a company's scale reflects its resource strength and market dominance. Larger entities typically have greater flexibility in obtaining capital and maintaining stability amid market uncertainty. This strengthens the company's reputation in the public eye, ultimately contributing positively to achieving higher company value (Parulian & Siregar, 2025). Therefore, liquidity and firm size remain relevant factors in explaining firm value under changing economic conditions.

Economic changes during 2020-2024, particularly related to interest rates and financing conditions, influenced construction activities, property sales, and corporate performance in Indonesia's property and real estate sector (Mahendra & Sahibuddin, 2022). The sector experienced fluctuating conditions from contraction to recovery, indicating that firm value determinants may vary across different economic environments. Meanwhile, Rahmawati & Rinofah (2021) examined property, real estate, and building construction companies during 2015-2019, a period characterized by relatively more stable macroeconomic conditions before the post-pandemic recovery period. Differences in observation periods, industrial scope, and macroeconomic conditions may explain why previous studies produced inconsistent findings regarding the effects of profitability, capital structure, liquidity, and firm size on firm value. Therefore, re-examining these relationships within the 2020-2024 period remains important to provide updated empirical evidence.

Economic changes during 2020-2024, particularly related to interest rates and financing conditions, influenced corporate performance in Indonesia's property and real estate sector (Mahendra & Sahibuddin, 2022). These conditions indicate that the determinants of firm value may differ across economic environments and observation periods. Previous studies also produced inconsistent findings regarding the effects of profitability, capital structure, liquidity, and firm size on firm value. Sa'diyah (2021) examined firm value under different market conditions, while this study focuses on the property and real estate sector during the post-pandemic recovery period. In addition, Mahendra & Sahibuddin (2022) analyzed companies included in the Indonesian Sharia Stock Index, whereas this study examines property and real estate companies listed on the Indonesia Stock Exchange during 2020-2024. Differences in sample characteristics, observation periods, and macroeconomic conditions may explain these inconsistent findings. Therefore, reexamining these relationships remains important to provide updated empirical evidence.

A research gap exists in previous studies regarding the determinants of firm value in Indonesia's property and real estate sector due to inconsistent empirical findings. Salsa & Nugraha (2022) found that profitability, capital structure, and firm size positively affect firm value, while Yulianti et al. (2022) reported that liquidity and capital structure may show different effects depending on company conditions and market environments. In addition, Pratama & Utami (2024) emphasized that financial performance influences firm value, although the results may vary across observation periods and macroeconomic conditions. These inconsistencies indicate that the determinants of firm value remain inconclusive, particularly during the 2020-2024 period characterized by post-pandemic recovery and fluctuating interest rates. Therefore, this study reexamines the effects of profitability, capital structure, liquidity, and firm size on firm value in property and real estate companies listed on the Indonesia Stock Exchange.

2. Literature Review

2.1 The Effect Of Profitability On Firm Value

Based on signaling theory, profitability reflects the company's ability to generate earnings efficiently and becomes an important signal for investors in assessing firm performance and prospects. In this study, profitability is proxied by Return on Assets (ROA), which measures the effectiveness of total asset utilization in generating net income. A higher ROA indicates better operational efficiency and stronger profit generation capability, which may increase investor confidence and positively affect firm value. Yusra & Sulistyowati (2023) explain that profitability has a significant positive effect on firm value because stronger earnings performance tends to increase market confidence and investor valuation. In addition, Dina & Wahyuningtyas (2022) found that profitability positively influences firm value, indicating that efficient profit generation strengthens market appreciation toward the company. Therefore, profitability is expected to influence firm value positively.

H1: Profitability affects firm value

2.2 The Effect Of Capital Structure On Firm Value

Based on Trade-off Theory, companies attempt to achieve an optimal balance between debt and equity to maximize firm value while minimizing financial risk. In this study, capital structure is proxied by the Debt to Equity Ratio (DER), which reflects the proportion of debt used in corporate financing. The appropriate use of debt may support operational activities and business expansion, thereby increasing market confidence and firm value. Gz & Lisiantara (2022) explain that optimal capital structure can strengthen market valuation and investor confidence. Similarly, Salsa & Nugraha (2022) found that capital structure positively affects firm value through effective financing decisions. Therefore, capital structure is expected to influence firm value positively.

H2: Capital Structure affects firm value

2.3 The Effect Of Liquidity On Firm Value

Based on Agency Theory, liquidity reflects management effectiveness in managing current assets and fulfilling short-term obligations, reducing potential conflicts between managers and shareholders. In this study, liquidity is proxied by the Current Ratio (CR), which measures the company's ability to cover current liabilities using current assets. A higher CR indicates stronger short-term financial capability and lower default risk, which may increase investor confidence and firm value. Zalogo & Duho (2022) explain that well-maintained liquidity can create positive market perceptions toward the company. Similarly, Alifian & Susilo (2024) found that liquidity positively and significantly affects firm value through improved financial stability and investor confidence. Therefore, liquidity is expected to influence firm value positively.

H3: Liquidity affects firm value

2.4 The Effect Of Firm Size On Firm Value

Based on the Resource-Based View (RBV), firm size reflects the company's resource capacity and operational strength, which may create competitive advantages and increase firm value. In this study, firm size is proxied by SIZE using the natural logarithm of total assets (Ln Total Assets). Larger companies generally possess stronger financial resources, broader operational capacity, and easier access to external financing, which can enhance investor confidence and market valuation. Salsa & Nugraha (2022) explain that firm size positively affects firm value because larger firms tend to have better resource management and stronger market positions. Similarly, Virgantara (2022) found that firm size contributes positively to firm value through improved operational capability and corporate sustainability. Therefore, firm size is expected to positively influence firm value. H4: Firm Size affects firm value

3. Research Methods

This study employs a quantitative approach to examine the effects of profitability, capital structure, liquidity, and firm size on firm value in property and real estate companies listed on the Indonesia Stock Exchange (IDX) during 2020-2024. The study uses secondary data obtained from publicly available financial reports. Purposive sampling was applied based on the following criteria: (1) property and real estate companies consistently listed on the IDX during 2020-2024, (2) companies publishing complete financial reports throughout 2020-2024, and (3) companies generating profits consecutively during 2020-2024. Based on these criteria, 18 companies were selected, resulting in 90 panel data observations over five years. Data were analyzed using panel data regression with EViews 14 to examine the partial and simultaneous effects of the independent variables on firm value. In contrast, the coefficient of determination (R^2) was used to measure the model's explanatory power.

The main outcome (dependent variable) in this study is firm value, which is impacted by several independent predictors, including profitability, capital structure, liquidity, and firm size. The operational parameters and quantitative metrics used to assess each of these factors are presented in the following discussion.

Table 1. Definition and Formula of Research Variables

Variable		Formula
Independent Variable	Profitability	$ROA = \frac{Net\ Income}{Total\ Assets}$
	Capital Structure	$DER = \frac{Total\ Debt}{Total\ Equity}$
	Liquidity	$CR = \frac{Current\ Assets}{Current\ Liabilities}$
	Firm Size	$SIZE = In(Total\ Assets)$

Dependent Variable	Firm Value	$Tobin's Q = \frac{Market Value of Equity + Total Debt}{Total Assets}$
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Source: Yusra & Sulistyowati (2023), Dewi & Muhyarsyah (2025), Parulian & Siregar (2025), and Imronudin et al. (2022)

4. Results and Discussion

4.1. Result

4.1.1 Panel Data Regression Model Selection Tests

This study carried out several exacting specification tests to identify the best model for panel data estimation. The Chow Test, the Hausman Test, and the Lagrange Multiplier (LM) Test were the three separate evaluation stages used in the selection process.

4.1.1.1 Chow Test

The Chow Test was used to evaluate the Fixed Effect Model's (FEM) suitability in comparison to the Common Effect Model (CEM). The following section presents the empirical findings of this comparison:

Table 2. Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	17.748994	(17,68)	0.0000
Cross-section Chi-square	152.394582	17	0.0000

Source: EViews 14 Output (2026)

H0 is rejected because the recorded probability value for the Cross-section F is 0.0000, which is less than the necessary 0.05 significance level. Accepting H1 suggests that the Fixed Effect Model (FEM) is a better option than the Common Effect Model (CEM).

4.1.1.2 Hausman Test

The Random Effect Model (REM) and the Fixed Effect Model (FEM) for panel data estimation were then compared using the Hausman Test. The outcomes are displayed below:

Table 3. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	13.011979	4	0.0112

Source: EViews 14 Output (2026)

The study rejects H0 and adopts H1 because the Hausman Test recorded a probability of 0.0112, which is less than the alpha of 0.05. This suggests that the Fixed Effect Model (FEM), which provides more consistency than the Random Effect Model (REM) for this analysis, is the preferred specification.

4.1.1.3 Lagrange Multiplier Test

The suitability of the Random Effect Model (REM) compared with the Common Effect Model (CEM) was assessed in this study using the LM Test. This process is crucial when consistency from earlier diagnostics is lost. The results of the LM Test are summarized as follows:

Table 4. Lagrange Multiplier Test Results

	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	82.63801 (0.0000)	0.308713 (0.5785)	82.94672 (0.0000)

Source: EViews 14 Output (2026)

The LM Test favors the Random Effect Model (REM) over the Common Effect Model (CEM) with a cross-section probability of 0.0000 ($p < 0.05$). On the other hand, the time impact is still negligible at 0.5785, which is higher than the conventional 0.05 cutoff. As a result, the study uses a REM specification that ignores irrelevant time-related factors and prioritizes cross-sectional effects.

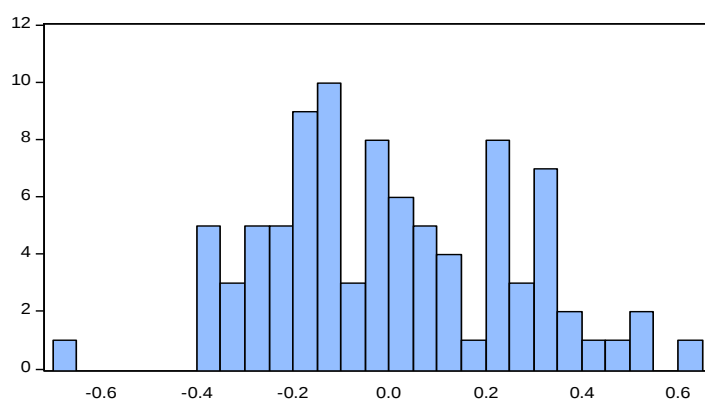
Since the Fixed Effect Model (FEM) was the model suggested by the Chow and Hausman tests, it was used in this study as the main estimation tool. The FEM was chosen as the final and most reliable model for the panel data because of the consistency seen in most of the selection processes, even though the Lagrange Multiplier Test suggested a Random Effect specification.

4.1.2 Classical Assumption Test

To make sure the regression model satisfies statistical requirements, several conventional assumption tests are carried out before hypothesis testing. Normality, multicollinearity, heteroscedasticity, and autocorrelation are among the diagnostic tests used because the analysis employs a fixed-effects model (FEM). These tests are intended to guarantee the accuracy, dependability, and objectivity of the estimation results.

4.1.2.1 Normality Test

To ascertain whether the residuals in the research model were normally distributed, the residual normality test was employed. The outcomes are shown below:

Table 5. Normality Test Results

Series: Standardized Residuals	
Sample 2020 2024	
Observations 90	
Mean	5.09e-18
Median	-0.020302
Maximum	0.632742
Minimum	-0.689383
Std. Dev.	0.250621
Skewness	0.186088
Kurtosis	2.673217
Jarque-Bera	0.919884
Probability	0.631320

Source: EViews 14 Output (2026)

A p-value of 0.631320, which is higher than 0.05, was obtained from the Jarque-Bera test. This suggests that the residuals follow a normal distribution. The model can now move on to the next stage of analysis since the assumption of normality is satisfied.

4.1.2.2 Multicollinearity Test

Pairwise correlation analysis was used to test for multicollinearity and calculate the correlation coefficients between each independent variable. If the correlation coefficient between the explanatory variables was less than 0.80, the regression model was deemed to be free of multicollinearity.

Table 6. Multicollinearity Test Results

	X1	X2	X3	X4
X1	1.000000	-0.583009	0.283911	0.220033
X2	-0.583009	1.000000	-0.315365	0.166025
X3	0.283911	-0.315365	1.000000	0.056421
X4	0.220033	0.166025	0.056421	1.000000

Source: EViews 14 Output (2026)

The pairwise correlation values are -0.583009 between X1 and X2, 0.283911 between X1 and X3, 0.220033 between X1 and X4, -0.315365 between X2 and X3, 0.166025 between X2 and X4, and 0.056421 between X3 and X4. Since all coefficients are less than 0.80, the independent variables do not significantly relate to one another. As a result, multicollinearity is absent from the model, allowing for more research.

4.1.2.3 Heteroscedasticity Test

The significance value of each independent variable is examined using the Glejser method to check for heteroscedasticity. Heteroscedasticity is absent from the model if the significance value is greater than 0.05, whereas heteroscedasticity is present if the value is less than 0.05.

Table 7. Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.459316	2.161149	0.675250	0.5018
X1	0.778690	0.471503	1.651508	0.1032
X2	-0.057191	0.079198	-0.722122	0.4727
X3	-0.051797	0.048389	-1.070436	0.2882
X4	-0.043419	0.074044	-0.586395	0.5596

Source: EViews 14 Output (2026)

All independent variables have significant values above 0.05, according to the Glejser test results: X1 = 0.1032, X2 = 0.4727, X3 = 0.2882, and X4 = 0.5596. This indicates that none of the explanatory variables significantly impact the absolute residual value. As a result, the regression model satisfies the necessary criteria and does not display heteroscedasticity.

4.1.2.4 Autocorrelation Test

To determine whether residuals from one period were correlated with residuals from the prior period, the autocorrelation test was used. Testing is required to assess the viability of the model because autocorrelation can lower estimation efficiency. The Durbin-Watson (DW) test was employed in this investigation.

Table 8. Autocorrelation Test Results

R-squared	0.929508	Mean dependent var	2.730281
Adjusted R-squared	0.907739	S.D. dependent var	2.170252
S.E. of regression	0.286720	Sum squared resid	5.590153
F-statistic	42.69775	Durbin-Watson stat	1.749227
Prob (F-statistic)	0.000000		

Source: EViews 14 Output (2026)

The Durbin-Watson analysis yielded a DW value of 1.749227. The decision rule states that a regression model is deemed autocorrelation-free if the DW value falls between -2 and +2. Positive autocorrelation is indicated by values less than -2, and negative autocorrelation is indicated by values greater than +2. It can be presumed that the regression model does not exhibit autocorrelation and is appropriate for additional research since the value of 1.749227 is within the acceptable range.

4.1.3 Panel Data Regression Analysis

The fixed-effects model (FEM) was determined to be the optimal estimation model for this investigation. The panel data regression equation based on this model is as follows:

$$Y_{it} = 32.16365 + 0.563330ROA_{it} + 0.034691DER_{it} - 0.141197CR_{it} - 1.054922SIZE_{it} + \varepsilon_{it}$$

1. The constant is 32.16365, which means that the predicted value of Y stays 32.16365 if ROA (X1), DER (X2), CR (X3), and SIZE (X4) are all taken to be unchanged or equal to zero.
2. With the other variables held constant, a one-unit increase in ROA will raise Y by 0.563330, according to the coefficient of X1 (ROA), which is 0.563330. On the other hand, Y will decrease by 0.563330 for every unit drop in ROA.
3. The coefficient of X2 (DER) is 0.034691, meaning that a one-unit increase in DER will result in a 0.034691 increase in Y when the other variables remain unchanged. On the other hand, Y will decrease by 0.034691 for every unit decrease in DER.
4. Since the coefficient of X3 (CR) is -0.141197, a one-unit increase in CR will result in a 0.141197 decrease in Y, assuming the other variables stay unchanged. Conversely, Y will rise by 0.141197 for every unit decrease in CR.
5. The coefficient of X4 (SIZE) is -1.054922, indicating that a one-unit increase in SIZE will result in a 1.054922 decrease in Y when all other variables are held constant. On the other hand, Y will rise by 1.054922 if SIZE drops by one unit.

4.1.4 Hypothesis Testing

4.1.4.1 T Test

To ascertain whether each independent variable independently influences the dependent variable, partial significance testing is employed. The outcomes are shown below:

Table 9. T-Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	32.16365	4.056160	7.929581	0.0000
X1	0.563330	0.924001	0.609664	0.5441
X2	0.034691	0.138341	0.250765	0.8028
X3	-0.141197	0.068603	-2.058187	0.0434
X4	-1.054922	0.139003	-7.589220	0.0000

Source: EViews 14 Output (2026)

1. The table value of 1.987289865 is higher than the t-value of 0.609664 for X1 (ROA). The significance level of 0.5441, however, is higher than 0.05. As a result, H0 is accepted, and H1 is rejected, suggesting that ROA has little effect on firm value.
2. The table value of 1.987289865 is higher than the t-value of 0.250765 for X2 (DER). The significance level of 0.8028, however, is higher than 0.05. As a result, H0 is accepted, and H1 is rejected, suggesting that DER has little effect on firm value.
3. The table value of 1.987289865 is substantially lower than the t-value of -2.058187 for X3 (CR). The significance level is 0.0434. As a result, H1 is accepted, and H0 is rejected. This suggests that CR significantly and negatively affects firm value.
4. The table value of 1.987289865 is considerably lower than the t-value of -7.589220 for X4 (SIZE). The significance level of 0.0000, however, is less than 0.05. As a result, H1 is accepted, and H0 is rejected. This suggests that SIZE significantly and negatively affects firm value.

4.1.4.2 F Test

To determine whether all independent factors have a combined effect on the dependent variable, the simultaneous significance test (F test) is utilized. The outcomes are shown below:

Table 10. F-Test Results

R-squared	0.929508	Mean dependent var	2.730281
Adjusted R-squared	0.907739	S.D. dependent var	2.170252
S.E. of regression	0.286720	Sum squared resid	5.590153
F-statistic	42.69775	Durbin-Watson stat	1.749227
Prob (F-statistic)	0.000000		

Source: EViews 14 Output (2026)

Although the significance level of 0.000000 is less than 0.05, the F value of 42.69775 is greater than the table value of 2.47901547. As a result, H1 is validated, and H0 is rejected.

This suggests that X1, X2, X3, and X4 significantly impact Y. Therefore, the regression model describes the general relationship between explanatory factors and firm value.

4.1.4.3 Coefficient of Determination Test (R^2)

The coefficient of determination measures the degree to which the independent variables in the research model account for the variance in the dependent variable. The outcomes are shown below:

Table 11. Coefficient of Determination (R^2) Results

R-squared	0.929508	Mean dependent var	2.730281
Adjusted R-squared	0.907739	S.D. dependent var	2.170252
S.E. of regression	0.286720	Sum squared resid	5.590153
F-statistic	42.69775	Durbin-Watson stat	1.749227
Prob (F-statistic)	0.000000		

Source: EViews 14 Output (2026)

The independent variables X1, X2, X3, and X4 can account for 90.77% of the dependent variable Y, with the remaining 9.23% being influenced by factors outside the model, according to the adjusted coefficient of determination (R^2) of 0.907739 (90.77%). These findings show that the regression model is well suited to explain changes in the dependent variable and has a high explanatory power.

4.2. Discussion

The study's empirical findings show that different factors have different effects on firm value, including profitability, capital structure, liquidity, and firm size. Profitability and capital structure do not show a statistically significant correlation with firm value; only liquidity and firm size do. These findings imply that the market valuation of real estate firms is influenced not only by financing structure and profitability but also by the size of the company's operations and the efficiency of short-term asset management.

4.2.1 The Effect of Profitability on Firm Value

The regression results show that, from 2020 to 2024, firm value (as determined by Tobin's Q) of real estate companies was not significantly affected by profitability, as measured by return on assets (ROA). The relationship is not statistically significant even though the estimated coefficient is positive. This implies that although higher firm valuations are linked to increased profitability, the relationship is not strong enough to show a substantial impact. As a result, it is impossible to verify the theory that profitability significantly and favorably affects firm value.

One explanation could be that investors consider more than just book profits when assessing businesses. Market players might focus more on the sustainability of the business model, risk exposure, macroeconomic conditions, and prospects for future growth. Current profit may not be the main determinant of a company's valuation in a capital-intensive sector like real estate, but rather one aspect of its performance. This perspective is consistent with the findings of Parulian & Siregar (2025) and Ariawan

(2025), who highlight that several indicators reflecting present circumstances and prospects affect firm value.

This condition may also be related to the post-pandemic recovery period during 2020-2024, where Indonesia's property and real estate sector experienced fluctuating demand, rising financing costs, and changes in investment preferences. Higher interest rates and inflation potentially reduced investor focus on short-term profitability because market participants tended to prioritize long-term business sustainability and investment risk. As a result, profitability was not always considered the main determinant of firm value during the observation period. This result corroborates the findings of Nugroho & Hakim (2023), who discovered no meaningful relationship between firm value and profitability. Similarly, Natalie & Lisiantara (2022) concluded that investor valuation is not primarily based on profitability. Therefore, if investors prioritize other strategic considerations, the ability to generate profits alone does not guarantee a higher market value.

4.2.2 The Effect of Capital Structure on Firm Value

According to the analysis, firm value is not significantly impacted by capital structure as determined by the debt-to-equity ratio (DER). The relationship is not statistically significant even if the coefficient is positive. This implies that, although the effect is too slight to be deemed significant, changes in debt typically follow the same pattern as changes in firm value. As a result, the notion that capital structure significantly affects firm value is disproved. The unique characteristics of the real estate sector, which heavily relies on debt financing for long-term projects, may explain this finding. In addition, fluctuations in interest rates and changes in mortgage financing policies during 2020-2024 increased financing uncertainty in Indonesia's property sector. These conditions may have reduced investor sensitivity to debt levels, causing capital structure to influence firm value only significantly during the observation period.

This outcome is in line with the findings of Pangestuti et al. (2022), who discovered that a combination of operational performance and risk considerations affects firm value. It also validates the results of Hanifah & Wardhani (2025), who demonstrated that market perception encompasses not only capital composition but also non-financial factors. Both Simangunsong & Khoiri (2022) and Sekar Sari & Riswan (2022) found that capital structure had no discernible impact on firm value.

4.2.3 The Effect of Liquidity on Firm Value

Firm value is significantly impacted negatively by liquidity, which is measured by the current ratio (CR). This implies that, despite the inverse relationship, liquidity has a major impact on investor valuation. In other words, in the companies under study, higher liquidity is linked to lower firm value. This supports the theory about how liquidity affects firm value. Excessive liquidity could be interpreted as a sign of inefficient working capital utilization. Excessive inventory, slow-turning receivables, and high levels of idle cash can

all lower productivity and returns on available resources. Investors may see high liquidity as a sign that management is not making good use of working capital rather than as a positive. Such circumstances have the potential to erode market confidence in sectors that depend on effective capital turnover.

This result is consistent with Nurwulandari (2021) findings, which also noted the impact of liquidity on firm value. However, it runs counter to the results of Yulianti et al. (2022) and Imronudin et al. (2022), who found no meaningful correlation. Variations in industry characteristics, observation periods, sample composition, and macroeconomic conditions may account for these contradictory findings. As a result, liquidity's function seems to be conditional rather than universal.

4.2.4 The Effect of Firm Size on Firm Value

The study's findings show that firm size significantly and negatively affects firm value. This implies that, during 2020-2024, larger organizations, as determined by their size, tend to have lower Tobin's Q. As a result, the theory about how firm size affects firm value is validated. One explanation is that a larger asset base does not always translate into efficiency and improved market performance. Businesses with large assets may have to pay more for operations, maintenance, and financing. Large assets in the real estate industry might also need longer development and sales cycles, which could reduce investor enthusiasm and slow returns. As a result, the market does not always view firm size growth favorably; this argument is consistent with Rahmawati & Rinofah (2021) findings. These findings corroborate those of Parulian & Siregar (2025), who also found that firm size significantly affects firm value. This finding suggests that, to produce sustainable performance and future growth, investors should take into account the company's size as well as how well its resources are managed.

5. Conclusions

This study concludes that profitability (ROA) and capital structure (DER) do not significantly affect firm value in property and real estate companies listed on the Indonesia Stock Exchange during 2020-2024. In contrast, liquidity (CR) and firm size (SIZE) negatively affect firm value, while all variables simultaneously influence firm value. However, these findings are limited to the characteristics of property and real estate companies during the observation period and may differ under other industrial or macroeconomic conditions.

These findings indicate that investors should consider not only company size but also how effectively corporate resources and assets are managed to generate sustainable performance. Furthermore, the results provide practical implications for management, investors, and policymakers in Indonesia's property and real estate sector. Companies are encouraged to improve liquidity efficiency and optimize asset utilization to avoid excessive idle resources that may reduce market valuation. At the same time, investors should pay greater attention to financial efficiency and long-term business sustainability.

In addition, policymakers may support the sector through stable financing and mortgage policies to strengthen investment confidence during changing economic conditions.

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