International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

The Effect Of Capital Structure And Asset Management Effectiveness On Financial Performance With Firm Size As A Moderating Variable

Dewi Suliyana[1], Jaenal Abidin[2]

[1,2]Universitas Pamulang, Suryakencana Street, Pamulang, South Tangerang, Banten

Corresponding Author: dewisuliana02@gmail.com

Abstract

Amid growing economic uncertainty, firms in the property and real estate sector face increasing pressure to balance financing decisions with efficient resource utilization. This study investigates two such decisions capital structure and asset management effectiveness and their combined effect on financial performance, with firm size tested as a conditioning factor. The object of analysis comprises companies in the property and real estate subsector listed on Indonesia's stock exchange. Through purposive sampling, fifteen firms meeting the established criteria were selected, generating a panel of 75 firm year observations across a five-year span. The Fixed Effects Model was selected as the most suitable panel estimation approach following diagnostic testing, with Moderated Regression Analysis applied to examine interaction effects; all computations were performed in EViews 12. Results indicate that capital structure exerts a statistically significant adverse influence on financial performance, whereas asset utilization efficiency contributes positively and significantly. Firm size was found to weaken the detrimental link between capital structure and financial performance, confirming its role as a pure moderating factor, yet it showed no statistically meaningful moderating influence on the relationship between asset utilization and financial performance.

Keywords: Financial Performance, Capital Structure, Asset Management Effectiveness, Firm Size

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

INTRODUCTION

The dynamics of the global economy, characterized by inflationary pressures and increasing economic uncertainty in recent years, have had significant implications for the financial performance of companies in Indonesia. These conditions have triggered fluctuations in revenue and a decline in profits, which have the potential to disrupt business stability and sustainability. In facing this situation, companies are required to manage resources effectively and efficiently to maintain performance and enhance competitiveness amid economic uncertainty (Sulfiana et al., 2025).

These pressures are reflected in companies' financial statements, which have shown a decline in net income over the past few years. This decline is driven by weakening consumer purchasing power, a slowdown in sales, and ongoing economic uncertainty. This situation demonstrates that external pressures can have a direct impact on a company's financial performance, particularly if not counterbalanced by management strategies capable of adapting to change. Furthermore, a decline in financial performance can also affect investor confidence, a company's ability to secure funding, and its long-term growth prospects.

These challenges underscore the urgency for every company to continuously evaluate and monitor its financial condition. Companies that fail to maintain financial stability tend to face difficulties in meeting obligations, sustaining operations, and achieving growth targets (Putri et al., 2025). Therefore, companies are required not only to focus on short-term profit generation but also to ensure the effective management of financial resources as a strategy for maintaining business sustainability.

Financial performance measurement is a critical aspect of a company's decision-making system. This measurement serves to evaluate the effectiveness of implemented strategies and policies in generating optimal performance. Additionally, the results of financial performance measurement can serve as the basis for management's evaluation in designing business plans and addressing existing weaknesses. According to Hutabarat (Effendi & Gusnar, 2023), "Financial performance is an analysis conducted to assess the extent to which a company has implemented financial management practices properly and correctly." Thus, financial performance can serve as a key indicator for evaluating a company's success, while also providing a foundation for formulating sustainable business strategies.

Financial performance represents the extent to which a company efficiently manages its resources, reduces risks, and attains long-term strategic goals. For

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

investors and shareholders, strong financial performance serves as a benchmark for trust and investment decisions (Mursalini et al., 2024). However, companies that rely on substantial capital for long-term projects often face a dilemma: whether to use debt for expansion or maintain equity to keep risks low. Similarly, assets, if not managed effectively, can become a liability rather than a source of revenue. Therefore, many companies strive to optimize these factors, despite significant challenges.

Capital structure is one of the elements influencing financial performance, referring to the proportion of debt relative to equity that a firm relies on to fund its operational activities and investment decisions. An optimal capital structure can enhance a company's value through the use of leverage; however, if the proportions are misaligned, it can lead to high interest expenses and increase the risk of bankruptcy (Raleska & Henny, 2022). Capital structure plays a crucial role in financial decision-making, as it reflects how aggressively a company uses debt to finance its operations.

The findings of studies by (Fauzi & Puspitasari, 2021) and (Wati & Werastuti, 2025) demonstrate that capital structure has a significant negative effect on financial performance. These studies explain that high interest expenses resulting from substantial debt directly reduce a company's profits, thereby weakening its return on assets. However, these findings differ from those of a study by (Kusniawati & Amin, 2024), which states that capital structure has no effect on financial performance. Such inconsistent findings suggest that the influence of capital structure on financial performance varies considerably depending on the industry sector being studied.

Another factor considered to influence financial performance is the effectiveness of asset management. This effectiveness reflects how well a company utilizes its assets to generate revenue, often measured by Total Asset Turnover (TATO). Effectively managed assets can improve operational efficiency and profitability, while idle assets increase maintenance costs and disrupt cash flow.

Research findings (Sianturi & Purwatiningsih, 2024) demonstrate that the effectiveness of asset management has a significant impact on a company's financial performance. This study confirms that the more efficiently assets are utilized, the better the financial performance a company can achieve. In line with this, (Apriani et al., 2024) also found that the effectiveness of asset management has a significant impact on financial performance. This is further supported by a study (Sihombing et al., 2023), which demonstrates a significant influence of asset management effectiveness on

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

financial performance, showing that assets utilized productively accelerate the business cycle and increase the company's overall revenue.

Previous research findings have shown inconsistent results; therefore, additional factors are needed to clarify the relationships among the variables under study. This study selected firm size as a moderating variable because each firm has different resource capacities, financing capabilities, and asset management efficiency depending on its size. These differences in characteristics are expected to either strengthen or weaken the relationship between these variables and financial performance. Therefore, this study makes a new contribution by examining the role of firm size as a moderating variable, thereby providing a more comprehensive understanding of the factors that influence financial performance.

This study proposes a research framework that illustrates the relationships among the variables in the research model used. The research framework is presented in Figure 1 below:

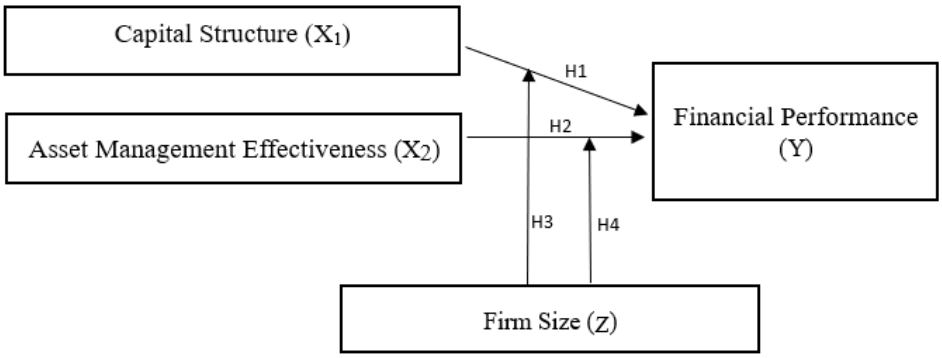


Figure 1 Research Framework

I. METHODOLOGY

This study employs a quantitative research approach using secondary data drawn from the financial statements of companies in the asset and real estate subsector listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The data were processed using EViews 12 software. A panel data design was applied to examine the connections among the variables under research. The secondary data used in this research were gathered from each company's annual reports accessible through the official IDX website, complemented by other reliable sources. The population in this study consisted of 92 corporations, with the sample selected through purposive sampling a technique in which samples are selected based on specific condition set by the

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

researcher to ensure relevance to the study's purpose and scope. The criteria applied were as follows:

1. Companies in the property and real estate subsector listed on the IDX.
2. Companies that had completed their Initial Public Offering (IPO) before the start of the study period.
3. Companies that published complete financial statements throughout the 2020–2024 period.
4. Companies that recorded profits during the study period.

Applying these screening conditions resulted in a final sample of 15 companies. Across the five-year period, this study generated a combined dataset of 75 observations for analysis. The use of these purposive sampling criteria is expected to yield a relevant and representative sample, thereby strengthening the validity of the findings.

Data analysis in this study was conducted using Panel Regression, with the most suitable model being determined through the Chow and Hausman tests to identify the model that best fits the characteristics of the data used. In addition, Moderated Regression Analysis (MRA) was also applied to examine the role of firm size in strengthening or weakening the relationships among the variables under study, given that this factor is believed to influence the strength of those relationships.

RESULT AND DISCUSSION

The Jarque-Bera test was employed to assess the normality of the data distribution, yielding a p-value of 0.840085, which exceeded the 0.05 significance level. As a result, it is confirmed that the data are normally distributed. To detect multicollinearity, the VIF scores for each predictor variable were examined, and none of the values surpassed the cutoff point of 10, suggesting that multicollinearity is absent from the model.

Heteroscedasticity was assessed through the Glejser test, which returned a probability value of 0.3698, surpassing the 0.05 threshold, thereby confirming the absence of heteroscedasticity in the model. Furthermore, the Durbin-Watson statistic was utilized to examine the presence of autocorrelation, producing a DW value of 1.73758, which lies within the acceptable boundary of DU < DW < 4-DU, or more precisely 1.7092 < 1.73758 < 2.4568, confirming that the model is free from autocorrelation. Taken together, these classical assumption test results demonstrate that the regression model in this study satisfies all necessary prerequisites and is deemed appropriate for conducting further hypothesis testing.

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

Tabel 1 Simultaneous F Test

R-squared	0.884411	Mean dependent var	3.658804
Adjusted R-squared	0.849938	S.D. dependent var	2.858378
S.E. of regression	1.107275	Akaike info criterion	3.247245
Sum squared resid	69.88534	Schwarz criterion	3.803442
Log likelihood	-103.7717	Hannan-Quinn criter.	3.469328
F-statistic	25.65459	Durbin-Watson stat	1.737585
Prob(F-statistic)	0.000000		

Source: Eviews 12, data processed 2026

The estimation results revealed an Adjusted R-Squared of 0.849938, reflecting the extent to which the independent variables are capable of accounting for the variation observed in the dependent variable. In other words, approximately 84.99% of the fluctuations in the dependent variable can be explained by the independent variables incorporated in this model, whereas the remaining 15.01% is driven by other variables outside the scope of this study.

Furthermore, the F-test was carried out to evaluate the simultaneous influence of the independent variables, generating an F-statistic of 25.65459. This figure surpasses the critical F-value of 3.124 at a 0.05 significance level. Additionally, the probability value obtained was 0.000000, which falls considerably below the 0.05 threshold. Therefore, it can be established that all independent variables, when tested simultaneously, exert a statistically significant influence on the dependent variable.

Table 2. Partial t-Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.553348	1.006029	2.538046	0.0133
DER	-2.717002	0.787970	-3.448103	0.0009
TATO	14.52674	4.599943	3.158025	0.0023

Source: Eviews 12, data processed 2026

The capital structure variable (Debt Equity Ratio) has a coefficient of -2. 717002, a t-value of -3.448103, and a probability of 0.0009 < 0.05, indicating that capital structure

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

has a negative and significant effect on financial performance. This suggests that as the level of debt financing relative to total capital rises, financial performance tends to decline. This occurs because high debt levels increase the interest burden the company must bear, thereby reducing the profits generated. Meanwhile, the asset management effectiveness variable (Total Asset Turnover) has a coefficient of 14.52674 with a t-value of 3.158025 and a probability of 0.0023 < 0.05, indicating that asset management effectiveness has a positive and significant effect on financial performance.

Table 3. *Moderated Regression Analysis*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-53.50210	36.34734	-1.471968	0.1467
DER	-44.63811	19.28402	-2.314772	0.0244
TATO	38.53844	86.50524	0.445504	0.6577
LN	1.794163	1.241861	1.444737	0.1542
DER×LN	1.431554	0.644703	2.220488	0.0305
TATO×LN	-0.154213	2.915896	-0.052887	0.9580

Source: Eviews 12, data processed 2026

Based on the results of the Moderated Regression Analysis (MRA), firm size is proven to moderate the effect of capital structure on financial performance. This is shown by the interaction variable DER × LN, which has a coefficient of 1.431554 with a probability value of 0.0305, smaller than the significance level of 0.05. This value indicates that the interaction between capital structure and firm size has a significant effect on financial performance. Thus, firm size acts as a moderating variable in the relationship between capital structure and financial performance.

The positive interaction coefficient of DER×LN, at 1.431554, indicates that an increase in firm size tends to reduce the negative effect of capital structure on financial performance. This can be seen from the DER coefficient, which is negative at -44.63811,

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

while the interaction coefficient is positive. This means that when a company is larger in size, the negative impact of an increase in DER on financial performance becomes smaller. In other words, firm size can weaken the negative impact of capital structure on financial performance.

This condition can be explained by the ability of larger companies to manage their use of debt. Companies with larger assets generally have greater resources, operational capacity, and earning capability. This condition can help companies meet the obligations arising from the use of debt. Therefore, although an increase in DER still puts pressure on financial performance, larger companies tend to have a better ability to manage this impact, so that the decline in financial performance due to debt use can be minimized.

This result can also be seen from the probability value of the firm size variable (LN), which is 0.1542, greater than 0.05, while the DER×LN interaction has a probability of 0.0305, which is smaller than 0.05. This condition indicates that firm size does not have a significant direct effect on financial performance in this model, but is significant when interacting with capital structure. Therefore, firm size in this relationship can be categorized as a pure moderator, that is, a variable that acts as a moderator without having a significant direct effect on financial performance.

These findings indicate that the size of a company is not only related to the amount of assets owned, but also to the company's ability to manage its funding structure. Larger companies may have a better capacity to manage their use of debt, so that the negative impact of capital structure on financial performance can be reduced. Thus, firm size becomes a factor that can determine how large the effect of capital structure is on financial performance.

In contrast to that relationship, the test results for the TATO×LN interaction show a coefficient value of -0.154213 with a probability value of 0.9580. Because this probability value is far greater than 0.05, the interaction between asset management effectiveness and firm size does not have a significant effect on financial performance. Thus, firm size is not able to moderate the effect of asset management effectiveness on financial performance.

The insignificance of the TATO×LN interaction indicates that the effectiveness of asset management in improving financial performance does not depend on the size of the company. In other words, a company's ability to utilize its assets effectively to generate revenue remains an important factor, both in large and smaller companies. Firm size is not proven to change the strength of the relationship between asset management effectiveness and financial performance.

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

This condition indicates that companies with large amounts of assets are not necessarily able to utilize their assets more effectively than companies with smaller sizes. The large number of assets owned by a company does not automatically indicate that those assets are being used productively. If assets are not managed well, an increase in the amount of assets does not actually provide a comparable increase in revenue. Therefore, what matters more in the relationship between asset management effectiveness and financial performance is how management optimizes the available assets to support operational activities and generate revenue.

CONCLUSION

The findings show that the capital structure, as proxied by the DER, has a significant negative effect on a company's financial performance. This finding indicates that an increase in the proportion of debt in a company's financing structure tends to reduce the company's ability to generate profits. High debt levels can increase interest expenses and payment obligations that the company must meet, thereby reducing financial flexibility and potentially leading to greater financial risk. These conditions can ultimately undermine a company's operational efficiency and lead to a decline in profitability. Therefore, companies need to carefully consider the composition of their funding sources to ensure that debt remains at an optimal level and does not impose an excessive burden.

Meanwhile, the effectiveness of asset management as proxied by TATO has been shown to have a good and valuable impact on financial result. These results indicate that a managerial company's ability and utilize all of its assets productively can increase its revenue and profitability. The more effectively a company manages its assets, improve sales performance and benefit from available resources. The effectiveness of asset management also reflects the quality of management's decision-making in efficiently allocating resources and optimizing asset utilization to support the company's operational activities. Therefore, improving efficiency in asset management is either the core factors that can drive improvements in a company's performance financial statements.

This analysis also examines as a moderating variable in the relationship company between independent variables and financial performance. The results show that company measure has a positive relationship with financial performance; however, it does not consistently strengthen or weaken the influence of capital structure and asset management effectiveness on performance of financial result. These findings suggest

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

that the company measure is not the sole factor determining the power or weakness of the connection between variables. The influence of firm size is highly dependent on a firm's managerial ability its revenue, the effectiveness of its management system, and the operational strategies it implements. In other words, a large firm is not necessarily capable of generating better performance if it is not supported by effective management and appropriate financial policies.

From a theoretical standpoint, the present research contributes to the advancement of agency theory. The findings concerning the negative impact of capital structure on financial performance indicate that high debt levels can increase the potential for agency conflicts among shareholders as principals and management as agents. High debt levels can lead to diverging interests in decision-making, particularly regarding investment policies and financial risk management. Conversely, the favorable effect of asset management effectiveness on financial performance reinforces the notion that management plays a pivotal role in optimizing the use of corporate resources to enhance corporate value and shareholder welfare.

Furthermore, a new perspective is also offered by the findings of the present research: firm size is not always regarded as a decisive element in strengthening the association among independent variables and finansial result. It was found that companies with big capital are not necessarily considered more efficient than smaller companies. The effectiveness of resource management, the ability to make strategic decisions, and operational efficiency are, in fact, recognized as more decisive factors in improving a company's financial performance.

REFERENCES

Apriani, W., Efni, Y., & Fiona. (2024). Pengaruh Likuiditas, Manajemen Aset, Struktur Modal Terhadap Kinerja Keuangan Dengan Ukuran Perusahaan Sebagai Variabel Moderasi. Jurnal Ilmiah Poli Bisnis, 16(2). https://doi.org/10.30630/jipb.v16i2.1464

Effendi, A., & Gusnar, M. (2023). Analisis Laporan Keuangan Untuk Mengukur Kinerja Keuangan Pt. Ultra Jaya Milk Tbk Pada Tahun 2018- 2020. Jurnal Ekonomi Bisnis Manajemen Dan Akuntansi (JEBISMA), 1(1). https://doi.org/10.70197/jebisma.v1i1.4

Fauzi, A. F., & Puspitasari, E. (2021). Pengaruh Struktur Modal, Ukuran Perusahaan, Likuiditas Dan Pertumbuhan Aset Terhadap Kinerja Keuangan Perusahaan Yang

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

Terdaftar Di Jakarta Islamic Index (JII) Periode 2018-2020. Edunomika, 5(2). https://doi.org/10.29040/jie.v5i2.2869

Kusniawati, H., & Amin, M. N. (2024). Pengaruh Intellectual Capital, Struktur Modal, Kepemilikan Institusional terhadap Kinerja Keuangan dengan Ukuran Perusahaan Sebagai Pemoderasi. Jurnal Kajian Ekonomi & Bisnis Islam, 5(4), 3021. https://doi.org/10.47467/elmal.v5i4.1838

Mursalini, W. I., Nirwana, I., Fania, F., & Yamin, M. (2024). Analisis Kinerja Keuangan Dilihat Dari Current Ratio dan Struktur Modal. Competence: Journal of Management Studies, 18(2). https://doi.org/10.21107/kompetensi.v18i2.27792

Putri, A., Handriani, E., & Rahayu, S. (2025). Pengaruh Ukuran Perusahaan, Keputusan Investasi, dan Keputusan Pendanaan pada Nilai Perusahaan Properti dan Real Estate. In JAKP: Jurnal Akuntansi, Keuangan dan Perpajakan (Vol. 8, Number 1). https://doi.org/10.51510/jakp.v8i1.2016

Raleska, R., & Henny, D. (2022). Struktur Modal Pendekatan Dinamis pada Perusahaan Property, Real Estate, dan Konstruksi Bangunan yang Terdaftar di. In Jurnal Kontemporer Akuntansi (Vol. 2, Number 2). https://doi.org/10.24912/jka.v2i2.20372

Sianturi, L. T., & Purwatiningsih, P. (2024). Pengaruh Manajemen Aset, Kinerja Lingkungan dan Struktur Modal terhadap Kinerja Keuangan. In Jurnal Mahasiswa Ekonomi & Bisnis (Vol. 4, Number 3). https://doi.org/10.37481/jmeb.v4i3.929

Sihombing, H., Tambunan, Y. S., & Hanum, R. (2023). Pengaruh Manajemen Aset Terhadap Kinerja Keuangan Perusahaan Pada PT. Hobin Nauli Multimedia Sibolga. EBISMEN (Jurnal Ekonomi Bisnis Dan Manajemen), 2(1). https://doi.org/10.58192/ebismen.v2i1.662

Sulfiana, S., Zulkifli, B., & Ayu, R. W. (2025). Pengaruh Kinerja Keuangan Terhadap Harga Saham pada Perusahaan Sektor Property dan Real Estate yang Terdaftar di BEI Periode 2019-2023. GEMILANG: Jurnal Manajemen Dan Akuntansi, 5(2), 236–255. https://doi.org/10.56910/gemilang.v5i2.2025

Wati, K. S. K., & Werastuti, D. N. S. (2025). Pengaruh Environmental Social and Governance (Esg) Score, Ukuran Perusahaan Dan Struktur Modal Terhadap Kinerja Keuangan. Jurnal Ilmiah Mahasiswa Akuntansi, 16(01). https://doi.org/10.23887/jimat.v16i01.93038

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.