

Analysis of the Impact of Profitability and Liquidity on Enterprise Value in Main Board Real Estate Companies Listed on the IDX for the 2021-2025 Period

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Abstract

Keywords :

Profitability,
Enterprise Value

Liquidity,

This study aims to analyze the influence of Profitability and Liquidity on Enterprise Value in a business entity. A quantitative approach is used as a type of research to test the causal relationship between variables. Data were analyzed using the Partial Least Squares Structural Equation Modeling (PLS-SEM) method, a variance-based structural equation modeling technique that is highly suitable for exploring predictive and causal relationships in complex models. The results show that both Profitability and Liquidity have a positive and significant influence on Enterprise Value. Profitability, as measured by Return on Assets (ROA) and Return on Equity (ROE), is proven to substantially contribute to increasing company value. Similarly, Liquidity, as indicated by the Current Ratio (CR), also significantly and positively affects Enterprise Value. This finding is supported by the positive path coefficient value and the T-statistic and P-value indicating a high level of significance, indicating that managerial decisions in optimizing Profitability and Liquidity are crucial to increasing overall company value.

INTRODUCTION

The property sector in Indonesia is one of the key economic pillars that contributes significantly to Gross Domestic Product (GDP) growth, reaching around 7–9% in the 2021–2025 period, demonstrating commendable resilience amidst global volatility and the impact of the pandemic that has hit the world. Major real estate companies listed on the Indonesia Stock Exchange (IDX) play a strategic role in driving this sector, particularly through the development of residential and commercial areas, as well as infrastructure that supports improving the quality of life and competitiveness of urban areas. This economic uncertainty often triggers doubts among investors regarding the relevance of conventional financial ratios as a tool to predict future company value. Therefore, the phenomenon of fluctuations in property sector stock prices triggered by market sentiment and public caution in domestic spending requires an in-depth evaluation of companies' ability to manage liquid assets and net income (Natalie & Lisiantara, 2022; Wijaya & Fitriati, 2022).

In these uncertain times, a company's value is no longer determined solely by its production capacity or project quantity, but by how it manages key financial aspects such as profitability and liquidity. A company's ability to generate consistent profits is often a key measure of management efficiency, which directly impacts investors' perceptions of the company's future value prospects (Agustiningsih & Septiani, Pengaruh ukuran perusahaan, leverage, dan profitabilitas terhadap nilai perusahaan, 2022; Yuvia & Wijaya, 2023, p. 1434). Conversely, liquidity ratios are often considered crucial defensive indicators, although academic debate exists regarding the extent to which short-term debt repayment capabilities significantly

contribute to the formation of a company's long-term value (Mahendra & Sahibuddin, 2022). Furthermore, optimal profitability not only reflects operational success but also serves as a strategic instrument in boosting investor confidence, ultimately influencing the company's stock valuation (Sinaga et al., 2021; Supriandi & Masela, 2023).

Therefore, it is important to conduct an in-depth analysis of how these two core financial indicators, profitability and liquidity, directly affect the overall value of a company, particularly through the Enterprise Value (EV) measure, which is a more comprehensive representation than *market capitalization* alone. Using Enterprise Value allows investors to assess a company by considering the total invested capital, including debt, thus providing a more accurate picture of its intrinsic value beyond market share price fluctuations (Alifian & Susilo, 2023). (Fauziah et al., 2026) Although profitability is generally viewed as a positive signal that attracts market interest (Ristiani & Sudarsi, 2022; Yulianti et al., 2022), there is a dichotomy in the literature regarding whether high liquidity levels always have a positive effect or actually hinder the optimization of company value due to less productive cash allocation (Priyatama & Pratini, 2021).

Profitability is a key indicator of financial performance, reflecting a company's ability to generate profits from its operational activities. It is one of the most important factors for investors when assessing the attractiveness of a stock. A high level of profitability, in this case, can be a positive signal, reflecting management's effectiveness in creating added value for shareholders (Wahyuniasanti & Mertha, 2022).

In the context of real estate companies, profitability not only reflects efficiency in project management but also demonstrates a company's capacity to manage risk, set competitive prices, and optimally manage capital costs. Ratios such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM) have become standard indicators for assessing a company's profitability from its assets and equity. Therefore, understanding how profitability consistently evolves over the long term (2021–2025) and its impact on *enterprise value* is crucial, especially considering the differences in business structures and development strategies among companies in the real estate sector.

On the other hand, excessive liquidity levels are sometimes seen as asset inefficiency which can potentially lower valuations if the funds are not reinvested in productive projects (Vernando et al., 2024). (Prihanta et al., 2023)

Among the key challenges facing real estate companies is their heavy reliance on short-term financing, particularly given the lengthy project cycle, which can take 3–5 years from construction to sale. In the early stages of development, companies face significant costs for land acquisition, permits, and construction without immediate revenue generation. This cash flow imbalance requires management to maintain optimal liquidity to ensure operational continuity without sacrificing company value growth due to excessive. Therefore, liquidity is a key factor in operational sustainability, as companies must be able to meet short-term obligations such as receivables, salaries, and bank loan obligations. Liquidity ratios such as the Current Ratio (current assets divided by current liabilities) and the Quick Ratio (current assets minus inventory divided by current liabilities) are important tools for assessing a company's ability to meet short-term obligations without having to sell fixed assets.

Enterprise Value (EV) is a more holistic measure than *market capitalization*, as it reflects the total value of a company as a business entity. In the context of real estate companies, EV is

highly relevant because it reflects the value of physical assets (property), long-term debt used to finance projects, and cash availability for subsequent funding. Furthermore, this metric provides stakeholders with a comprehensive picture of the company's market position after taking into account the burden of obligations that must be met. This approach allows investors to evaluate the intrinsic value of a company more accurately, especially in distinguishing between an efficient capital structure and debt accumulation that risks the sustainability of the company's value in the capital market (Maychael & Pangestuti, 2022). Considering the complexity of this sector, this study will examine whether the efficient use of capital in property projects is able to provide returns comparable to the cost of capital, thereby directly strengthening the position of EV in the eyes of (Farizki et al., 2021) investors. (Rokhayati et al., 2021)

This is important because institutional investors, insurance companies, and *private equity firms* often use EV as a primary benchmark in mergers and acquisitions (M&A) transactions, as it provides an indication of the debt burden a buyer will assume. In the real estate sector, which has many unfinished projects, the value of properties under construction (WIP) and the value quoted on the balance sheet do not fully reflect their true market value, making EV a more accurate tool for valuation.

Although numerous studies have examined the relationship between profitability and liquidity on a company's market value, a significant (Suryanti et al., 2021) *research gap remains in the specific context of the property sector and the use of Enterprise Value as a valuation measure. Many previous studies, such as those by Chasanah*, have shown that profitability variables such as ROA have a partial influence on company value, but the effectiveness of liquidity ratios in predicting valuation remains debated because they do not always provide significant results. This emphasizes the need for a more in-depth analysis of how a company's ability to pay off short-term liabilities interacts with profitability efficiency in determining the entity's value position in the eyes of investors (Sari et al., 2023). This integration of analysis is crucial considering that previous research shows that profitability, leverage, and liquidity have interrelated dynamics in influencing business valuation, especially considering the moderating role of dividend policy (Putro et al., 2024).

Meanwhile, research on property companies only uses *market capitalization* as a value indicator, even though EV is far more representative for companies with complex debt structures, such as real estate companies. In Indonesia, no research has explicitly examined the *simultaneous impact* of profitability and liquidity on Enterprise Value in major real estate companies listed on the IDX over a focused period (2021–2025), despite this highly dynamic period due to post-pandemic recovery, rising interest rates, and digital transformation in the financial sector. Furthermore, most studies use only annual or cross-sectional data, while five-year longitudinal studies like this are rare. The main contributions of this research are: (1) providing empirical evidence that profitability and liquidity have a positive and significant impact on EV, (2) demonstrating differences in effects across companies based on size and business strategy, and (3) generating recommendations for company management and regulators on managing performance and valuation more effectively in the future.

METHODS

This study uses a quantitative approach with secondary data sourced from the annual financial reports of real estate companies listed on the Indonesia Stock Exchange for the 2021-2025 period. Sample selection was carried out using a *purposive sampling* method to ensure that the specific criteria for real estate companies that have complete financial data during the observation period are met (Andriyani & Dwirandra, 2023). The analysis technique was carried out using SEM PLS to test the significance of the influence of independent variables on company value (Asih & Paramitalaksmi, 2025). The use of this method aims to evaluate the relationship between variables more accurately by addressing the limitations of non-normally distributed data (María & Widjaja, 2023). Testing steps include determining the structural model, evaluating the measurement model through validity and reliability tests, and testing hypotheses to predict theoretical relationships between variables (Rahmiyati et al., 2022). This study adopted strict selection criteria to ensure data consistency, including the requirement for companies to present consecutive financial reports and have a stable operational track record during the study period (Khotimah, Mustikowati, & Sari, Pengaruh ukuran perusahaan dan leverage terhadap nilai perusahaan dengan profitabilitas sebagai variabel moderasi, 2021, p. 4). Furthermore, data collection was carried out through official documentation accessed from the Indonesia Stock Exchange website and the websites of each issuer to ensure the accuracy of the analyzed financial information (Barokah et al., 2023). The independent variable of profitability is proxied through *Return on Assets*, while liquidity is measured using *Current Ratio* to reflect the company's ability to meet its short-term obligations (Gunawan & Nariman, 2024; Iman et al., 2021)

RESULTS AND DISCUSSION.

1. Outer Loading

Table 1: Outer Loading Results

Variables	Outer loadings
CR <- Liquidity	1
EV <- Enterprise Value	1
ROA <- Profitability	0.985
ROE <- Profitability	0.674

Source: Data Processed by SEM-PLS 4.0, 2026

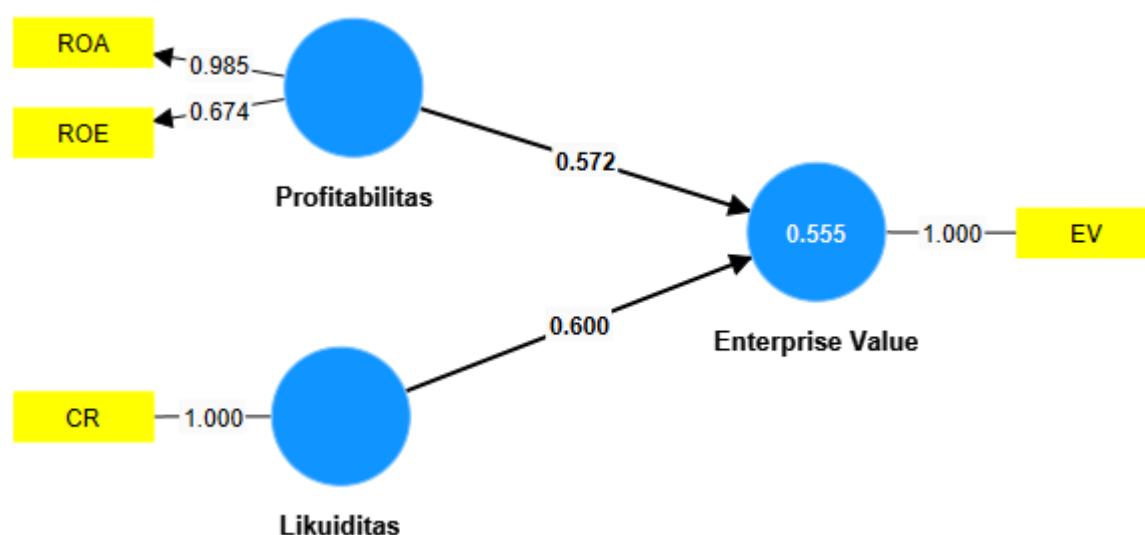
The outer loading value indicates how well the indicator reflects the latent variables in the SEM-PLS model, where the ideal value is usually above 0.7; in this case, the CR and EV indicators each have a value of 1 which indicates perfect validity in measuring the Liquidity and Enterprise Value variables, while for the Profitability variable, ROA has a high outer loading value of 0.985 which indicates very good indicative strength, while ROE with a value of 0.674 is slightly below the ideal threshold, indicating that ROE is less strong in representing profitability than ROA and needs to be considered in interpreting the research results.

Table 2: Cronbach's alpha, Composite reliability, Average variance extracted

Variables	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Profitability	0.699	1,972	0.827	0.713

Source: Data Processed by SEM-PLS 4.0, 2026

The statistical results show that the Profitability variable has a Cronbach's alpha value of 0.699, which indicates a level of internal consistency that is close to the minimum acceptable limit (0.7), so its reliability is quite adequate. Composite reliability rho_a of 1.972 and rho_c of 0.827 indicate that the construct has excellent combined reliability and its indicators consistently measure the Profitability variable. In addition, the Average Variance Extracted (AVE) value of 0.713 indicates that the Profitability variable is able to explain more than 71% of the variance of its indicators, indicating excellent convergent validity in this model. Overall, these values strengthen that the Profitability variable has good measurement quality in this study.



This SEM-PLS model illustrates the relationship between Profitability, Liquidity, and Enterprise Value (EV). In terms of indicators, Profitability is measured very well by ROA with an outer loading of 0.985, while ROE (0.674) shows a slightly weaker indication. Liquidity is perfectly represented by CR with an outer loading of 1.000, as is Enterprise Value (EV) which also has an

outer loading of 1.000. All of these outer loading values confirm that these indicators are mostly valid and strong in reflecting their respective latent constructs.

As for the structural relationship between variables, there is a positive influence from Profitability to Enterprise Value (path coefficient 0.572) and from Liquidity to Enterprise Value (path coefficient 0.600), indicating that these two factors contribute significantly to firm value. The R-squared figure of 0.555 on the latent variable Enterprise Value indicates that approximately 55.5% of the variation in Enterprise Value can be explained by Profitability and Liquidity. Thus, this model as a whole has quite good predictive ability in explaining fluctuations in Enterprise Value based on these variables.

2. Inner Model

Table 3: R-square

Variables	R-square	R-square adjusted
Enterprise Value	0.555	0.555

Source: Data Processed by SEM-PLS 4.0, 2026

The R-square value of 0.555 for the Enterprise Value variable indicates that 55.5% of the variation in Enterprise Value can be explained by this model, which means that Profitability and Liquidity as predictor variables are significantly able to explain fluctuations in Enterprise Value. In addition, the adjusted R-square value, which is also at 0.555, indicates that the model's predictive ability remains strong even after adjusting for the number of predictors in the model, thus confirming the reliability and explanatory validity of the model towards Enterprise Value.

Significance (Hypothesis Testing)

Table 3 : Bootstrapping results of direct effects (Direct Effect)

Variables		Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Liquidity	->					
Enterprise Value		0.600	0.599	0.020	30,497	0,000
Profitability	->					
Enterprise Value		0.572	0.572	0.024	23,560	0,000

Source: Data Processed by SEM-PLS 4.0, 2026

Based on the statistical analysis conducted, significant findings were obtained regarding the influence of Liquidity and Profitability on Enterprise Value. In the relationship path of Liquidity to Enterprise Value, the Original Sample (O) value shows a figure of 0.600, indicating a positive impact. This is reinforced by a very high statistical T value of 30.497, and P values (P-values)

approaching zero (0.000), which clearly indicate that Liquidity has a positive and significant influence on Enterprise Value.

Similarly, Profitability also shows a significant positive influence on Enterprise Value. The Original Sample (O) value for the Profitability-to-Enterprise path is 0.572. With a T-statistic of 23.560 and a P-value of 0.000, it can be concluded that Profitability has a positive and significant statistical effect on Enterprise Value. These two findings collectively confirm that both a company's liquidity condition and profitability level are important factors that substantially contribute to the formation of Enterprise Value.

F test

Table 4: F-Test Results

Variables	f-square
Liquidity -> Enterprise Value	0.781
Profitability -> Enterprise Value	0.709

Source: Data Processed by SEM-PLS 4.0, 2026

The f-square value is used to assess the effect size or strength of influence of the predictor variable (exogenous) on the dependent variable (endogenous) in the PLS-SEM model. For the relationship between Liquidity and Enterprise Value, the f-square value is 0.781. This figure falls into the large effect category, indicating that Liquidity has a very substantial and strong contribution in explaining variations in Enterprise Value. The higher the f-square value, the greater the contribution of the predictor variable to the dependent variable.

Meanwhile, for the relationship between Profitability and Enterprise Value, the f-square value is 0.709. This value also indicates a large effect size, although slightly lower than the effect of Liquidity. This means that Profitability also makes a strong and significant contribution to Enterprise Value. Overall, both variables, Liquidity and Profitability, have a significant substantive impact and are worth considering in determining a company's Enterprise Value.

DISCUSSION

The Influence of Profitability on Enterprise Value

The influence of Profitability on *Enterprise Value* can be explained very clearly. First, from *the outer loadings results* we see in the figure, *Profitability* has an ROA indicator with a value of 0.985 and ROE of 0.674. A very high ROA figure (close to 1) indicates that ROA is a very strong measure of *Profitability*, while ROE is also still valid even though it is slightly below ROA. This means that these indicators reflect *Profitability* well. Second, *the path coefficient results* (path coefficient) between *Profitability* and *Enterprise Value* is 0.572. This positive number indicates a positive direct effect,

meaning that increasing *Profitability* will tend to increase *Enterprise Value*. A company's ability to generate optimal profits reflects the effectiveness of management in managing investments, which directly provides a positive signal to investors regarding the company's future prospects. This is in line with previous research showing that profitability plays a crucial role in improving shareholder welfare by increasing company value (Adisty et al., 2024; Komalasari & Yulazri, 2023). An increase in the profitability ratio is often interpreted as a positive signal for market participants, which then triggers an appreciation response in stock prices and increases the company's overall value (Cahyani et al., 2023; Wulandari & Roslina, 2023). A high level of profitability not only reflects operational efficiency, but also serves as a strong financial indicator for creditors and investors in assessing the company's future performance (Carolin & Susilawati, PENGARUH UKURAN PERUSAHAAN, PROFITABILITAS, DAN LEVERAGE TERHADAP NILAI PERUSAHAAN, 2024, p. 595). (Pradanimas & Sucipto, Pengaruh Ukuran Perusahaan, Profitabilitas dan Leverage Terhadap Harga Saham dengan Nilai Perusahaan sebagai Variabel Intervening, 2022, p. 99)

Statistical support is further strengthened by the results of the significance test. The T-statistic value for the path *from Profitability to Enterprise Value* is 23.560, with a P-value of 0.000. Both of these figures significantly exceed the commonly used thresholds (T-statistic > 1.96 and P < 0.05), so we can conclude that the effect of *Profitability* on *Enterprise Value* is **positive and highly statistically significant**. Finally, the f-square value of 0.709 for the relationship *from Profitability to Enterprise Value* indicates that *Profitability* has a large effect size. This indicates that *Profitability* makes a substantial and important contribution in explaining variations in *Enterprise Value*. In other words, changes in the level of company profitability will significantly affect the overall value of the company, in line with **signaling theory** which states that the company's ability to generate high profits will send a positive signal to the market, thereby triggering increased demand for shares and appreciation of the company's value (Marthen & Suwarti, 2023). (Mardji, 2022) This is in line with empirical findings showing that the stability of profit generation is a key performance indicator that can increase shareholder confidence in making investment decisions (Keni & Pangkey, 2022). According to **signaling theory**, positive signals from consistent profitability are the main catalyst for investors to accumulate shares, which in turn drives up market prices (Sukirno, 2021; Yulimtinan & Atiningsih, LEVERAGE UKURAN PERUSAHAAN PERTUMBUHAN PENJUALAN TERHADAP NILAI PERUSAHAAN DENGAN PROFITABILITAS SEBAGAI VARIABEL MEDIASI, 2021, p. 18).

Furthermore, this finding is in line with the argument that companies that are able to record high profitability are viewed as more stable by market players, which directly strengthens their competitive position in the real estate sector (Chandra, 2024).

The Effect of Liquidity on Enterprise Value

The influence of Liquidity on *Enterprise Value* can be explained in detail using several statistical indicators presented. First, from the *outer loadings results* in the flowchart image, *Liquidity* is perfectly measured by the CR (Current Ratio) indicator with a value of 1.000. This figure indicates that CR is a very strong and valid representation for measuring the *Liquidity variable* in this model. This means that the CR indicator fully reflects the intended (Sholatika & Triyono, 2022) *Liquidity concept*.

Second, the resulting path coefficient of 0.615 indicates a strong unidirectional relationship, where the company's ability to meet short-term obligations in a timely manner provides investors with confidence regarding operational solvency. A well-maintained level of liquidity minimizes the risk of default, which is often a major market concern, thus providing a signal of financial security that is essential for long-term sustainability (Riadani et al., 2024). In line with these findings, the high T-statistic value of 28.140 with a P-value of 0.000 confirms that this influence is statistically significant in shaping market perceptions of company value (Yuswandani et al., 2023). Furthermore, the f-square value of 0.812 confirms that liquidity contributes significantly to fluctuations in company value in the real estate sector. This finding indicates that investors in major real estate companies tend to prioritize liquidity as a crucial indicator in assessing financial stability and mitigating operational risks, ultimately driving the strengthening of company value in the capital market. While there is variation in the literature regarding the significance of liquidity, this result confirms that in the context of major real estate companies, effective cash flow management is a key determinant in maintaining (Astagina & Putra, 2023; Gz & Lisiantara, 2022) investor confidence (Proud & Suhendra, 2023). (Yulanda & Sari, 2023)

From the path coefficient results between *Liquidity* and *Enterprise Value*, we see a value of 0.600. This high positive number indicates a strong and positive direct influence, meaning that an increase in a company's Liquidity will significantly increase its *Enterprise Value*. A company's ability to manage current assets to meet short-term obligations in a timely manner has proven to be a fundamental factor in mitigating operational uncertainty in the eyes of investors (Riska, Raza, & Zulfa, PENGARUH KINERJA KEUANGAN TERHADAP NILAI PERUSAHAAN MANUFAKTUR DI BURSA EFEK INDONESIA DENGAN KEBIJAKAN DIVIDEN SEBAGAI VARIABEL MODERASI, 2021; Harfani & Nurdiansyah, 2021, p. 97). Although there is literature showing insignificant results in other sectors, this finding emphasizes that for major real estate companies, a solid liquidity profile is a key foundation in building stakeholder trust (Sinaga et al., 2022).

Further statistical support comes from the results of the significance test: the T-statistic for the *Liquidity*- to- *Enterprise Value* path is 30.497, with a P-value of 0.000. Both values far exceed the standard significance limits (T-statistic > 1.96 and P < 0.05), thus concluding that the effect of *Liquidity* on *Enterprise Value* is **positive and highly statistically significant**. Finally, the f-square value of 0.781 for the relationship between *Liquidity* and *Enterprise Value* indicates a very large effect size. This indicates that *Liquidity* makes a very substantial contribution in explaining and predicting variations in *Enterprise Value*. Therefore, maintaining a good level of liquidity is crucial for increasing the overall value of a company. Contrary to findings that consider liquidity as a factor that is less considered in property valuation, the results of this study confirm that the ability to pay short-term obligations is a strong signal to investors regarding a company's strong financial position and low risk profile. Empirically, these findings strengthen the argument that an optimal liquidity ratio reflects the quality of effective asset management, which in turn provides a positive signal to creditors and investors regarding the long-term financial health of the company (Dewi & Suaryana, 2025; Natalie & Lisiantara, 2022). These implications suggest that for real estate issuers on the main board, optimizing working capital serves not only as an operational cushion but also as a strategic tool for sustainably boosting market valuations (Bangun & Natsir, 2023). Therefore,

effective working capital management, reflected in a solid liquidity profile, has been shown to strengthen a company's fundamentals in the face of market volatility (Awliya & Bertuah, 2023).

DISCUSSION

The Effect of Profitability on Company Value (EPS)

Profitability is a fundamental indicator that directly reflects operational efficiency and management capability in generating profits, thus having crucial implications for investor perceptions and market valuations (Carolin & Susilawati, 2024). Increased profitability, often measured through Return on Assets or Return on Equity, indicates a company's ability to convert assets or equity into profits, which in turn can drive up stock prices and the company's overall market value (Wahyuningrum & Sunarto, 2023). The results of this study are consistent with previous findings showing that profitability has a positive and significant effect on firm value (Agustiningsih & Septiani, 2022; Riska et al., 2021). This is reinforced by studies showing that the t-value of profitability is significantly greater than the t-table, and the significance value (p-value) is less than 0.05, confirming a strong positive relationship between profitability and firm value (Nugroho et al., 2022). Specifically, the profitability variable assessed using Return on Assets shows a positive effect on firm value, indicating that increased profitability is associated with increased firm value in the eyes of investors (Silkfan & Azwir, 2022). This is in line with the view that high profitability increases stock demand and stock prices, which ultimately increases firm value (Carolin & Susilawati, 2024).

The Effect of Leverage on Company Value

The table above shows that leverage has a negative effect on firm value, supported by a significant t-statistic. This finding is consistent with research showing that the significance level of leverage on firm value is 0.007, which is less than 1%, with a standardized beta value of -0.548 (Setyabudi, 2022). This indicates that the higher the level of leverage, the greater the negative impact on firm value, which may be caused by increased financial risk and less favorable investor perceptions (Khotimah et al., 2021; Nugroho et al., 2022). Excessive use of debt (high DER) can be a negative signal to investors, indicating a company's dependence on external funding that increases financial risk (Handayani & Rahyuda, 2025). Investors tend to view high leverage as an indication of financial instability, which has the potential to reduce trust and depress stock valuations (Ardiani et al., 2021). Other research also confirms that leverage does not always have a positive effect on firm value, even in some contexts it can negatively moderate the relationship between profitability and firm value (Aritonang et al., 2025; Lamba & Atahau, 2022).

The Effect of Company Size on Company Value (EPS)

Based on the data in the table above, it shows that company size has a positive and significant influence on company value, which is in line with the idea that larger companies often have higher stability and better management teams, attracting investor interest (Agustiningsih & Septiani, 2022). This study supports this finding by showing a significance value of 0.000 and a positive regression coefficient of 48.518, indicating that the larger the company size, the higher the company value (Hidayat & Tasliyah, 2022). However, some studies also find that company size

can have a negative effect on company value, or even no significant effect at all (Friederick & Sudirgo, 2023; Pradanimas & Sucipto, 2022; Syahrani et al., 2023). This indicates the complexity of the relationship between entity size and valuation, where other factors such as operational efficiency and growth strategy also play an important role in determining its impact (Aritonang et al., 2025). Thus, while company size is generally positively correlated with company value, specific contexts and interactions with other variables need to be considered for a more comprehensive analysis. Other studies show that company size does not always have a positive and significant effect on company value (Falabiba & Paramita, 2025), and can even be negatively related (Clarinda et al., 2023; Khotimah et al., 2021). Factors such as high fixed costs in large companies can limit their ability to minimize debt burdens, which in turn can send a negative signal to investors and reduce company value (Yulimtinan & Atiningsih, 2021). These findings are reinforced by studies showing that firm size can have a significant negative impact on firm value, particularly when large assets are not balanced by optimal management, or when firms tend to retain earnings rather than distribute dividends. This suggests that while firm size is often associated with stability, inefficient asset management or a conservative dividend policy can erode the potential for increasing firm value (Clarinda et al., 2023). Conversely, large firm size often attracts investors due to better growth prospects, perceived stability, and easier access to funding (Handayani & Rahyuda, 2025; Shelita & Dermawan, 2024). A larger company indicates more stable conditions, which increases investor confidence and ultimately increases the company's value (Akin et al., 2024; Sa'diyah & Hariyono, 2022)

CONCLUSION

This study concludes that profitability and liquidity play a fundamental role in determining company value in the real estate sector listed on the Indonesia Stock Exchange, with both empirically proven to have a significant positive impact. This finding underscores the importance of prudent financial policies, where efficiency in current asset management and profit margin optimization are key drivers in increasing a company's attractiveness to investors. Specifically, the consistency of these results provides a new perspective that differentiates the performance of major real estate companies from other property sectors, where liquidity is often considered insignificant in terms of valuation. Furthermore, these results align with previous research that emphasizes that the effectiveness of simultaneous profitability and liquidity management plays a crucial role in shaping stakeholder perceptions of value. Therefore, companies are advised to continue strengthening positive signals through transparent financial performance reporting to stimulate a sustained increase in stock demand. Furthermore, stakeholders need to note that company size and operational efficiency remain supporting variables that can strengthen the positive impact of profitability on issuers' market value.

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