CHAPTER V

CONCLUSION

5.1 Research Conclusion

This study intends to examine the influence of Capital Expenditure, Sales Growth, and Company Size on Financial Performance (ROA) with Capital Structure as a moderating variable in property and real estate sub-sector companies that have been listed in IDX since 2018–2023. The data was analyzed with the REM model (Random Effects Model) on 45 companies and 270 observations. The findings that can be derived. are:

1. Capital Expenditure is not a statistically significant determinant of Financial Performance. The result of the first hypothesis test (H1) suggests that Capital Expenditure does not have a significant negative influence on ROA. This finding indicates that a high investment in fixed assets between 2018 and 2023 does not have a direct impact on the company's profitability. This is probably because property is an investment that is long-term in nature; costs (such as depreciation and cash outflow) are recognized immediately, while revenue returns are realized over time.
2. Sales Growth has a positive and significant influence on Financial Performance. H2 is supported, indicating that sales growth significantly affects company profitability. Firms with a higher sales volume can earn more net profits and enhance asset turnover efficiency. These results lend support to the intuitive notion that as revenue grows, given fixed costs remain relatively unchanged, assets are used more efficiently.
3. Company Size has no significant effect on Financial Performance. The third hypothesis (H3) is rejected, which shows that the size of the firm (total assets) is not a major determinant for company profitability. Large firms in the property sector may not necessarily achieve greater economies of scale. In reality, maintaining large assets may be costly due

to high ownership and operational costs during a period of economic uncertainty (2018-2023), which offset potential efficiencies.

4. Capital Structure fails to moderate the relationship between independent variables and Financial Performance. The findings of Moderated Regression Analysis (MRA) indicate that there is no significant moderation effect of Capital Structure (DER) on the relationship between Capital Expenditure, Sales Growth, or Company Size and ROA. Therefore, hypotheses H4, H5 and H6 are not supported. This implies that the funding decision in favor of debt versus equity did not change the effect of operational activities on profitability. High leverage likely added interest charges that erased gains from any tax shields or capital efficiency expected from the leverage.

Overall, this research confirms that growth in firm size and capital investment are not significant drivers for improving financial performance. Conversely, sales growth is found to have a significant positive impact on profitability. Furthermore, the findings demonstrate that capital structure does not act as a moderating factor capable of strengthening or altering the influence of these independent variables on the company's financial performance.

5.2 Research Implication

The results of this research present several implications for theoretical comprehension and practical management in the property and real estate market:

5.2.1 Theoretical Implications

1. Support for Pecking Order Theory: The evidence of lack of significance on the role of capital structure as a moderator and absence of positive leverage effects grounded the pecking order theory. This suggests that property and real estate related companies tend to prefer internal financing, and the debt does not add positively to the relation between operation and profit in this situation.

2. Resource-Based Theory Perspective: The lack of Capital Expenditure and Company Size is an acknowledgment that merely having resources (assets) or investing in new ones (CapEx) does not automatically lead to competitive advantage (profitability). The emphasis needs to lie on the effectiveness with which these resources are utilized in sales generation, as indicated by the importance of Sales Growth.

5.2.2 Practical Implications

1. For Company Management: Management should center their strategy on Sales Growth, achieved via aggressive marketing strategies, pricing strategies, and turning over inventories faster, as only sales growth has been shown to significantly improve ROA. Management should also be cautious with aggressive Capital Expenditure or asset expansion (increasing size), as these do not guarantee immediate financial performance improvements and may burden the company with depreciation costs if not matched by revenue generation.
2. For Investors: When evaluating property and real estate stocks, a key focus should be on the company's ability to grow revenue as opposed to asset size or capital expenditure plans. For large-cap companies or those with a higher debt burden, better profitability ratios are not necessarily guaranteed.

5.3 Research Limitation

Although the research was performed correctly, there were limitations in this study and further consideration will be needed for the development of future research:

1. Low Coefficient of Determination (Adjusted R-squared), The adjusted R-squared value is low in this research at 4.92%. This means that the variables of Capital Expenditure, Sales Growth, Company Size, and Capital Structure only explain a small proportion of Financial Performance variation. There are 95.08% remaining factors beyond the model, such as

macroeconomic variables (inflation or interest rate), operational efficiency ratios, location strategy, and management quality, which have a high influence on ROA.

2. Observation Period Anomalies: The observation period (2018–2023) includes the COVID-19 pandemic years. Real estate was one of the most severely affected during this period, with greatly reduced purchasing power and halted construction works. This macroeconomic shock may have distorted the typical behavior of these variables such as making Capital Expenditure and Company Size seem insignificant as well delaying certain projects.
3. Scope of the Sector: The study is limited to the Property and Real Estate sector listed on the IDX. Thus, the results cannot be considered generalizable to other sectors that may have different capital attributes, for example, manufacturing or banking.
4. Measurement proxies: Measurement proxy: This study has limitations in its use of ROA as a financial performance indicator. Although ROA is an important measure of asset efficiency, this proxy does not always fully reflect shareholder value. Similarly, this study only uses DER as a measure of capital structure; other proxies (e.g., DAR) may produce different results.
5. Stock prices should be the proxy for financial performance because the impact of capital expenditure is more accurately measured through stock prices, which reflect market expectations of the company's long-term investment value and investor perceptions, including growth prospects, profitability, and risk.