EXAMINING THE INFLUENCE OF CAPITAL STRUCTURE AND LIQUIDITY ON FINANCIAL PERFORMANCE MODERATED BY FIRM SIZE IN AUTOMOTIVE INDUSTRY

THESIS

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MENGANALISIS PENGARUH STRUKTUR MODAL DAN LIKUIDITAS TERHADAP KINERJA KEUANGAN YANG DIMODERASI OLEH UKURAN PERUSAHAAN PADA INDUSTRI OTOMOTIF

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ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh struktur modal dan likuiditas terhadap kinerja keuangan perusahaan manufaktur sub-sektor otomotif yang terdaftar di Bursa Efek Indonesia, dengan ukuran perusahaan sebagai variabel moderasi, serta pengaruh struktur modal, likuiditas, dan ukuran perusahaan secara simultan terhadap kinerja keuangan. Data dikumpulkan dari 11 perusahaan otomotif selama periode 2019–2023 dengan total 55 observasi. Variabel struktur modal diukur menggunakan Debt to Equity Ratio (DER), likuiditas menggunakan Current Ratio (CR), kinerja keuangan menggunakan Return on Assets (ROA), dan ukuran perusahaan menggunakan logaritma natural dari total aset. Penelitian ini menggunakan pendekatan kuantitatif dengan data sekunder dari laporan keuangan perusahaan. Analisis dilakukan menggunakan regresi linear berganda dan uji moderasi dengan alat analisis, yaitu SPSS 27. Hasil penelitian menunjukkan bahwa struktur modal berpengaruh positif signifikan terhadap kinerja keuangan, sedangkan likuiditas berpengaruh negatif signifikan. Ukuran perusahaan juga terbukti memoderasi secara signifikan hubungan antara struktur modal dan kinerja keuangan, akan tetapi tidak secara signifikan antara likuiditas dan kinerja keuangan. Temuan ini mendukung teori trade-off dan signaling, serta memberikan implikasi praktis bagi manajemen dan investor dalam pengambilan keputusan keuangan.

Kata kunci: Industri Otomotif; Kinerja Keuangan; Kuantitatif; Likuiditas; Struktur Modal; Ukuran Perusahaan

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ABSTRACT

This study aims to examine the effect of capital structure and liquidity on the financial performance of manufacturing companies in the automotive sub-sector listed on the Indonesia Stock Exchange, with firm size as a moderating variable, as well as the simultaneous effect of capital structure, liquidity, and firm size on financial performance. Data were collected from 11 automotive companies over the period 2019–2023, totaling 55 observations. Capital structure was measured using the Debt-to-Equity Ratio (DER), liquidity using the Current Ratio (CR), financial performance using Return on Assets (ROA), and firm size using the natural logarithm of total assets. This research employs a quantitative approach with secondary data from company financial reports. The analysis was conducted using multiple linear regression and moderation testing with SPSS 27 as the analytical tool. The results show that capital structure has a significantly positive effect on financial performance, while liquidity has a significantly negative effect. Firm size is also proven significantly moderate the relationship between capital structure and financial performance, but not significantly between liquidity and financial performance. These findings support the trade-off and signaling theories and provide practical implications for management and investors in financial decision-making.

Keywords: Automotive Industry; Capital Structure; Financial Performance; Firm Size; Liquidity; Quantitative

MENGANALISIS PENGARUH STRUKTUR MODAL DAN LIKUIDITAS TERHADAP KINERJA KEUANGAN YANG DIMODERASI OLEH UKURAN PERUSAHAAN PADA INDUSTRI OTOMOTIF

RINGKASAN

1. Latar Belakang

Sektor manufaktur memiliki peran penting dalam perekonomian Indonesia, dengan kontribusi besar terhadap Produk Domestik Bruto (PDB) dan penyerapan tenaga kerja. Sub-sektor otomotif menjadi salah satu andalan, ditandai dengan peningkatan produksi dan ekspor kendaraan. Namun, tantangan seperti pandemi, fluktuasi nilai tukar, dan gangguan rantai pasok global turut memengaruhi kinerja industri ini. Pada 2023, produksi dan penjualan kendaraan mencapai angka tinggi, tetapi mengalami penurunan pada 2024 akibat faktor seperti pelemahan daya beli, ketatnya kebijakan pembiayaan, serta dinamika politik dan persaingan dari merek baru, termasuk dorongan pemerintah terhadap kendaraan listrik.

Kinerja keuangan perusahaan otomotif menjadi indikator utama dalam mengukur daya tahan dan efisiensi operasional industri. Struktur modal, likuiditas, dan ukuran perusahaan merupakan variabel penting yang diyakini memengaruhi kinerja keuangan. Struktur modal, diukur melalui Debt to Equity Ratio (DER), berkaitan dengan risiko dan biaya modal, sedangkan likuiditas, tercermin dalam Current Ratio (CR), menunjukkan kemampuan perusahaan memenuhi kewajiban jangka pendek. Ukuran perusahaan juga sering dikaitkan dengan akses pendanaan dan keunggulan bersaing, meskipun tidak selalu menjamin kestabilan finansial.

Penelitian terdahulu menunjukkan hasil yang beragam mengenai pengaruh struktur modal dan likuiditas terhadap kinerja keuangan. Beberapa studi menunjukkan hubungan positif, sementara lainnya negatif. Selain itu, masih terdapat kesenjangan penelitian terkait peran moderasi ukuran perusahaan dalam hubungan antara struktur modal, likuiditas, dan kinerja keuangan. Berdasarkan fenomena ini, penelitian difokuskan pada perusahaan manufaktur sub-sektor otomotif untuk mengkaji secara empiris pengaruh struktur modal dan likuiditas terhadap kinerja keuangan, dengan ukuran perusahaan sebagai variabel moderasi.

2. Tujuan Penelitian

a. Menganalisis apakah struktur modal memiliki pengaruh positif terhadap kinerja keuangan perusahaan.
b. Menganalisis apakah likuiditas memiliki pengaruh negatif terhadap kinerja keuangan perusahaan.
c. Menganalisis apakah ukuran perusahaan dapat memoderasi secara positif hubungan antara struktur modal dan kinerja keuangan perusahaan.
d. Menganalisis apakah ukuran perusahaan dapat memoderasi secara positif hubungan antara likuiditas dan kinerja keuangan perusahaan.
e. Menganalisis apakah struktur modal, likuiditas, dan ukuran perusahaan secara simultan berpengaruh terhadap kinerja keuangan perusahaan.

3. Metode Penelitian

Penelitian ini menggunakan pendekatan kuantitatif dengan metode deskriptif untuk menganalisis pengaruh struktur modal dan likuiditas terhadap kinerja keuangan perusahaan, serta peran ukuran perusahaan sebagai variabel moderasi. Objek penelitian adalah 11 perusahaan manufaktur otomotif yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2019–2023, dengan total 55 observasi, yang dipilih melalui teknik purposive sampling berdasarkan kriteria tertentu. Data sekunder diperoleh dari laporan keuangan tahunan yang diakses melalui situs resmi perusahaan dan BEI. Analisis dilakukan menggunakan regresi linier berganda dan moderated regression analysis (MRA) dengan bantuan SPSS versi 27, disertai uji asumsi klasik, uji t, uji F, koefisien determinasi (R^2), serta uji interaksi untuk menguji peran moderasi ukuran perusahaan.

4. Hasil dan Pembahasan

Penelitian ini menghasilkan beberapa temuan utama:

a. Pengaruh Struktur Modal terhadap Kinerja Keuangan

Struktur modal terbukti berpengaruh negatif dan signifikan terhadap kinerja keuangan perusahaan, di mana peningkatan proporsi utang menurunkan Return on Assets (ROA). Hal ini mendukung Trade-Off Theory yang menyatakan bahwa keputusan pendanaan harus mempertimbangkan keseimbangan antara manfaat dan risiko keuangan. Dalam industri otomotif yang padat modal, beban utang yang tinggi dapat menekan laba dan meningkatkan risiko finansial, sejalan dengan hasil penelitian sebelumnya.

b. Pengaruh Likuiditas terhadap Kinerja Keuangan

Likuiditas berpengaruh positif dan signifikan terhadap kinerja keuangan, mencerminkan kemampuan perusahaan memenuhi kewajiban jangka pendek dan menjaga kelangsungan usaha. Temuan ini mendukung Signaling Theory, di mana tingkat likuiditas tinggi menjadi sinyal positif bagi investor dan kreditur. Perusahaan dengan likuiditas memadai lebih

mampu bertahan dalam kondisi sulit seperti pandemi, sebagaimana juga didukung oleh penelitian terdahulu.

c. Peran Ukuran Perusahaan dalam Memoderasi Hubungan Struktur Modal dan Kinerja Keuangan

   Ukuran perusahaan memoderasi secara negatif dan signifikan hubungan antara struktur modal dan kinerja keuangan. Artinya, dampak negatif utang terhadap kinerja cenderung lebih besar pada perusahaan besar, yang mungkin memiliki beban keuangan lebih tinggi dalam struktur biaya tetap dan pembiayaan. Hasil ini bertentangan dengan asumsi umum dan menunjukkan bahwa skala besar tidak selalu menjadi keuntungan dalam pengelolaan leverage.

d. Peran Ukuran Perusahaan dalam Memoderasi Hubungan Likuiditas dan Kinerja Keuangan

   Ukuran perusahaan tidak memoderasi secara signifikan hubungan antara likuiditas dan kinerja keuangan, meskipun arah pengaruhnya positif. Artinya, manfaat dari likuiditas tinggi bersifat universal bagi perusahaan besar maupun kecil. Likuiditas tetap menjadi instrumen strategis penting dalam menghadapi risiko keuangan, tanpa tergantung pada ukuran perusahaan.

e. Pengaruh Simultan Struktur Modal, Likuiditas, dan Ukuran Perusahaan terhadap Kinerja Keuangan

   Ketiga variabel secara simultan berpengaruh positif dan signifikan terhadap kinerja keuangan, menunjukkan bahwa kombinasi manajemen utang yang tepat, likuiditas yang terjaga, dan pertumbuhan skala yang proporsional dapat meningkatkan profitabilitas. Hasil ini mendukung teori trade-off dan signaling, serta pentingnya pengelolaan keuangan yang terintegrasi.

Secara keseluruhan, hasil pembahasan menunjukkan bahwa struktur modal dan likuiditas memiliki peran penting dalam menentukan kinerja keuangan perusahaan otomotif, dengan ukuran perusahaan berperan sebagai moderator yang tidak selalu memperkuat hubungan tersebut. Temuan ini menegaskan pentingnya keseimbangan dalam strategi pendanaan dan pengelolaan keuangan, serta perlunya pendekatan manajerial yang cermat sesuai dengan karakteristik dan skala perusahaan.

5. Kesimpulan dan Saran

Penelitian ini bertujuan untuk menganalisis pengaruh struktur modal dan likuiditas terhadap kinerja keuangan perusahaan manufaktur, dengan ukuran perusahaan sebagai variabel moderasi. Hasil penelitian menunjukkan bahwa struktur modal berpengaruh negatif signifikan terhadap kinerja keuangan, yang berarti semakin tinggi rasio utang terhadap ekuitas, semakin rendah return on

assets (ROA) perusahaan. Sebaliknya, likuiditas memiliki pengaruh positif signifikan, menunjukkan bahwa kemampuan perusahaan dalam memenuhi kewajiban jangka pendek berdampak positif terhadap kinerjanya. Ukuran perusahaan terbukti memoderasi hubungan antara struktur modal dan kinerja keuangan secara negatif dan signifikan, sementara pengaruh moderasi ukuran perusahaan terhadap hubungan likuiditas dan kinerja keuangan tidak signifikan meskipun positif. Ketiga variabel tersebut secara simultan berpengaruh positif dan signifikan terhadap kinerja keuangan, menekankan pentingnya pengelolaan keuangan yang seimbang.

Implikasi praktis dari temuan ini menyarankan agar perusahaan lebih cermat dalam mengelola struktur modal dan menjaga tingkat likuiditas yang sehat untuk meningkatkan kinerja keuangan. Perusahaan besar sebaiknya tidak hanya fokus pada ekspansi aset, tetapi juga pada efisiensi operasional dan manajemen keuangan internal. Bagi investor, keputusan investasi sebaiknya lebih mempertimbangkan kesehatan keuangan perusahaan melalui struktur modal dan likuiditas daripada hanya melihat ukuran perusahaan. Untuk penelitian selanjutnya, disarankan mengeksplorasi variabel moderasi lain seperti tata kelola perusahaan atau efisiensi operasional, serta menggunakan data panel dan metode analisis yang lebih kompleks guna memperkuat generalisasi hasil.

EXAMINING THE INFLUENCE OF CAPITAL STRUCTURE AND LIQUIDITY ON FINANCIAL PERFORMANCE MODERATED BY FIRM SIZE IN AUTOMOTIVE INDUSTRY

SUMMARY

1. Background

The manufacturing sector plays a vital role in Indonesia's economy, contributing significantly to the Gross Domestic Product (GDP) and employment absorption. The automotive sub-sector has become one of the main pillars, marked by increasing vehicle production and exports. However, challenges such as the pandemic, exchange rate fluctuations, and global supply chain disruptions have affected the performance of this industry. In 2023, vehicle production and sales reached high figures, but experienced a decline in 2024 due to factors such as weakening purchasing power, tight financing policies, political dynamics, competition from new brands, and the government's push toward electric vehicles.

The financial performance of automotive companies serves as a key indicator for assessing the resilience and operational efficiency of the industry. Capital structure, liquidity, and firm size are important variables believed to influence financial performance. Capital structure, measured by the Debt to Equity Ratio (DER), is associated with financial risk and cost of capital, while liquidity, reflected in the Current Ratio (CR), indicates a company's ability to meet short-term obligations. Firm size is often linked to access to funding and competitive advantage, although it does not always guarantee financial stability.

Previous studies have shown mixed results regarding the impact of capital structure and liquidity on financial performance. Some have found positive relationships, while others found negative ones. Additionally, there is still a research gap in examining the moderating role of firm size in the relationship between capital structure, liquidity, and financial performance. Based on this phenomenon, this study focuses on automotive manufacturing companies to empirically examine the influence of capital structure and liquidity on financial performance, with firm size as a moderating variable..

2. Research Objectives

a. To analyze whether capital structure has a positive influence on the company's financial performance.
b. To analyze whether liquidity has a negative influence on the company's financial performance.

c. To analyze whether firm size can positively moderate the relationship between capital structure and the company's financial performance.
d. To analyze whether firm size can positively moderate the relationship between liquidity and the company's financial performance.
e. To analyze whether capital structure, liquidity, and firm size simultaneously influence the company's financial performance.

3. Research Method

This study employs a quantitative approach with a descriptive method to analyze the influence of capital structure and liquidity on the financial performance of companies, as well as the role of firm size as a moderating variable. The research objects are 11 automotive manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period, with a total of 55 observations selected using purposive sampling based on specific criteria. Secondary data were obtained from annual financial statements accessed through the official websites of the companies and the IDX. The analysis was conducted using multiple linear regression and moderated regression analysis (MRA) with the assistance of SPSS version 27, along with classical assumption tests, t-test, F-test, coefficient of determination (R^2), and interaction tests to examine the moderating role of firm size.

4. Result and Discussion

This study yielded several key findings:

a. The Impact of Capital Structure on Financial Performance

Capital structure has been proven to have a negative and significant effect on a company's financial performance, where an increase in the proportion of debt reduces Return on Assets (ROA). This supports the Trade-Off Theory, which states that financing decisions must consider a balance between financial benefits and risks. In the capital-intensive automotive industry, high debt burdens can suppress profits and increase financial risk, in line with previous research findings.

b. The Impact of Liquidity on Financial Performance

Liquidity has a positive and significant effect on financial performance, reflecting a company's ability to meet short-term obligations and maintain business continuity. This finding supports the Signaling Theory, where high liquidity levels serve as a positive signal for investors and creditors. Companies with adequate liquidity are more resilient during challenging times, such as the pandemic, as also supported by previous studies.

c. The Impact of Firm Size in Moderating the Relationship between Capital Structure and Financial Performance

Firm size negatively and significantly moderates the relationship between capital structure and financial performance. This means that the negative impact of debt on performance tends to be greater in larger companies, which may bear higher financial burdens due to fixed cost structures and financing requirements. This result contradicts common assumptions and suggests that large scale does not always offer advantages in managing leverage.

d. The Impact of Firm Size in Moderating the Relationship between Liquidity and Financial Performance

Firm size does not significantly moderate the relationship between liquidity and financial performance, although the direction of the effect is positive. This means the benefits of high liquidity are universal for both large and small companies. Liquidity remains an important strategic tool in facing financial risks, regardless of company size.

e. The Impact of Capital Structure, Liquidity, and Firm Size on Financial Performance Simultaneously

The three variables simultaneously have a positive and significant effect on financial performance, indicating that a combination of proper debt management, maintained liquidity, and proportional scale growth can enhance profitability. These findings support the trade-off and signaling theories, as well as the importance of integrated financial management.

Overall, the discussion results show that capital structure and liquidity play important roles in determining the financial performance of automotive companies, with firm size acting as a moderator that does not always strengthen the relationships. These findings highlight the importance of balance in financing strategies and financial management, as well as the need for careful managerial approaches tailored to the characteristics and scale of the company.

5. Conclusion and Suggestion

This study aims to analyse the influence of capital structure and liquidity on the financial performance of manufacturing companies, with firm size as a moderating variable. The results show that capital structure has a significantly negative effect on financial performance, indicating that a higher debt-to-equity ratio leads to lower return on assets (ROA). Conversely, liquidity has a significantly positive effect, suggesting that a company's ability to meet short-term obligations positively impacts its performance. Firm size is found to negatively and significantly moderate the relationship between capital structure and financial performance, while its moderating effect on the relationship between liquidity and financial performance is not significant, although positive. These three variables simultaneously have a positive and significant

effect on financial performance, emphasizing the importance of balanced financial management.

The practical implications of these findings suggest that companies should be more prudent in managing their capital structure and maintaining a healthy level of liquidity to improve financial performance. Large companies should not only focus on asset expansion but also on operational efficiency and internal financial management. For investors, investment decisions should give more weight to a company's financial health—particularly its capital structure and liquidity—rather than relying solely on firm size. Future research is recommended to explore other moderating variables such as corporate governance or operational efficiency, as well as to use panel data and more complex analytical methods to strengthen the generalizability of the results.

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CHAPTER I
INTRODUCTION

1.1 Background

The manufacturing industry plays a crucial role in Indonesia's economy, significantly contributing to the Gross Domestic Product (GDP) and generating extensive employment opportunities (Sabakodi & Andreas, 2024). The manufacturing sector continues to expand but faces considerable challenges in financial efficiency and competitiveness amid global economic uncertainties (Putri & Raflis, 2024). The financial performance of manufacturing companies is a key determinant of business sustainability and growth within this sector (Gunawan, et al., 2022).

Based on information from L&G Insurance Broker (2024), Indonesia's automotive industry has experienced substantial growth despite global challenges such as the pandemic and supply chain disruptions. In 2023, sales of four-wheeled vehicles in Indonesia exceeded 1 million units, positioning the country as one of the largest automotive markets in Southeast Asia. Domestic vehicle production also saw an increase, surpassing 1.5 million units, with a significant portion exported to countries like the Philippines, Vietnam, and Thailand. The automotive sector contributed approximately 4-5% to the national GDP, reinforcing its status as a vital pillar of Indonesia's economy.

According to the latest data from Gaikindo reported by Rajendra in Bisnis.com (2025), total wholesale car sales from January to December 2024 reached 865,723 units, reflecting a 13.9% year-on-year (YoY) decline from 1,005,802 units in the same period of 2023. Despite the nearly 14% decrease, sales still surpassed Gaikindo's revised target for 2024. Initially set at 1.1 million units, the sales target was later adjusted to 850,000 units.

According to CNN Indonesia (2024), aside from missing its sales target, the national automotive market faced several major challenges throughout 2024. These challenges ranged from the arrival of new car brands and the exit of some manufacturers to government incentives for electric and hybrid vehicles aimed at

stimulating the electrified vehicle segment. January 18, 2024, marked a significant milestone for the Chinese automotive giant, Build Your Dream (BYD), as the brand officially entered the Indonesian market, introducing three vehicle models at once.

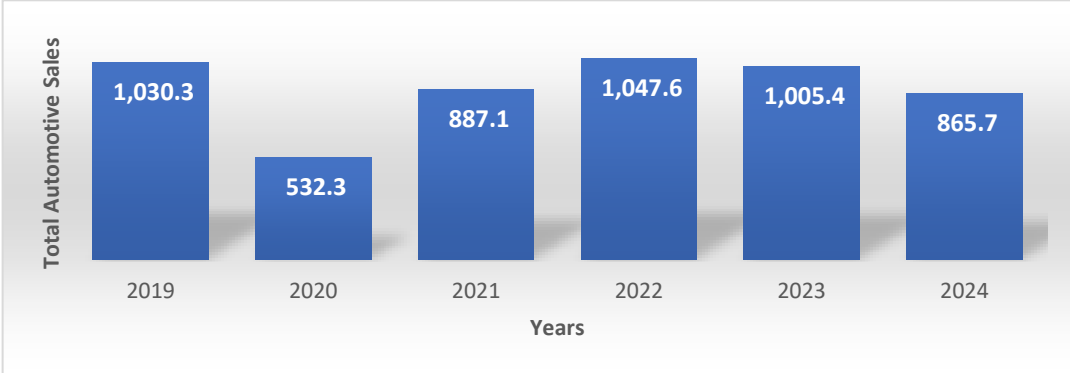


Figure 1.1 Total Automotive Sales/Year in Indonesia
Source: Data Processed from Trading Economics (2025)

Rahadiansyah in detikOto (2024) reported that car sales in 2024 saw a significant decline due to various factors, including the depreciation of the Indonesian rupiah, the general election, weakened consumer purchasing power, and stricter financing conditions from leasing institutions. These challenges have made it increasingly difficult for the automotive industry to formulate effective business strategies for the future.

Financial performance refers to an analysis conducted to assess how well a company adheres to financial management principles (Fahmi, 2013). A strong financial performance reflects a company's high-quality standing, while poor financial performance negatively impacts its overall reputation (Purwanti, 2021). Financial performance is not solely about generating high profits but also about how effectively a company manages its operations (Faisal, et al., 2017). It can be defined as a formal effort by a company to evaluate the efficiency and effectiveness of its activities within a specific period (Sofyan, 2019).

Financial managers play a crucial role in shaping a company’s financial performance (Sari, 2021). A solid understanding of fundamental financial theories is essential, as it enables financial managers to contribute to enhancing the firm's value—ultimately benefiting shareholders’ wealth (Fahmi, 2013). Additionally,

financial managers are expected to formulate strategic decisions and policies that directly support the improvement of the company's financial performance (Sari, 2021).

Financial performance cannot be sustained merely through financial subsidies, as such support may reduce returns on total assets and net asset returns (Xie, et al., 2022). Instead, financial performance is significantly influenced by investment, technological innovation, and corporate social responsibility (CSR), all of which have been shown to have a positive impact (Cui et al., 2021) in (Sari, 2021). Several methods can be used to evaluate a company's financial health through financial performance analysis, including liquidity ratios, solvency ratios, activity ratios, and profitability ratios (Putri & Munfaqirod, 2022).

The Debt-to-Equity Ratio (DER) is a key metric based on the trade-off theory, which suggests that utilizing debt can reduce tax burdens and agency costs (Haukilo & Widyaswati, 2022). This ratio indicates the extent to which a company's total assets are financed by debt (Sianturi & Andreas, 2024). Capital structure decisions are among the most critical financial decisions for a company due to their significant impact on financial risk, cost of capital, and ultimately, the firm's overall value and financial performance (Andri & Rahman, 2024). Sabakodi & Andreas (2024) also emphasize the importance of regularly evaluating capital structure to ensure an optimal financial strategy, as failing to do so may lead to financial difficulties.

A company's financial condition is highly susceptible to changes in capital structure, as adjustments in this area determine the availability of funds for operational and investment needs (Ulaya & Adi, 2024). Excessive debt financing can become a burden for companies, leading to financial strain (Sianturi & Purwatiningsih, 2024). Making effective capital structure decisions can lower the cost of capital, ultimately enhancing a company's profitability (Riswan & Martha, 2024).

Aside from capital structure, another key factor influencing financial performance is liquidity (Triyas & Listyorini, 2020). Liquidity refers to a company's ability to meet its short-term financial obligations on time (Haukilo &

Widyaswati, 2022). Septiano & Mulyadi (2023) implies that it can also be defined as the ease with which an asset can be converted into cash without significant loss of value. Rahman & Suselo, (2022) said that the primary indicator used to measure liquidity is the Current Ratio (CR), which reflects the extent to which a company's current assets can cover its current liabilities.

Research conducted by Triyas & Listyorini (2020) found that liquidity has a positive and significant impact on a company's performance. However, a study by Astutik (2019) demonstrated a negative and significant relationship between liquidity and company performance. Based on those contrasting findings, it indicates that the relationship between liquidity and financial performance is not always linear, highlighting the need for further research to assess the effectiveness of liquidity as an indicator of a financially healthy company.

According to Anggara & Andhaniwati (2023), excessive working capital may indicate inefficient use of funds, suggesting that the company is foregoing potential profits. Ideally, a company's working capital should be sufficient to support its operations—ensuring neither a shortage of funds nor an excess of unused resources (Amalia & Khuzaini, 2021). Based on that information; by optimizing the utilization of its assets, a company can maximize its financial performance.

Company size refers to the scale at which a business is classified based on various criteria, such as total assets, market capitalization, and sales revenue (Erawati et al., 2022). A larger total asset base indicates a bigger company, signifying higher capital investment (Amalia & Khuzaini, 2021). Additionally, higher sales volumes lead to greater cash flow circulation within the company (Aryaningsih et al., 2022). Based on that information, it can be concluded that company size is essentially a measure of the total assets owned by a business.

Larger companies often possess competitive advantages that can enhance profitability, which allows them to set higher prices for their products, and cost efficiencies (Risna & Putra, 2021). Company size is believed to influence financial performance, as larger businesses have greater access to funding sources, both internal and external (Lutfiana & Hermanto, 2021). This is because larger firms

tend to have better control over market conditions, enabling them to withstand economic competition more effectively (Amalia & Khuzaini, 2021).

However, in the case of PT Garuda Indonesia Tbk, despite being a large corporation, the company faced serious financial difficulties due to high debt burdens and operational inefficiencies, which means that company size does not always guarantee financial stability (Chandrayanti, et al., 2023). It also suggests that company size can moderate the relationship between capital structure, liquidity, and financial performance in different ways (Oktavia & Ramadhan, 2022). Based on those findings, it can be concluded that the larger the company is, the greater the need for meticulous financial oversight, as small inefficiencies or overlooked issues can accumulate and significantly impact overall performance.

With all of that information, this study will mainly focus on manufacturing companies in the automotive sub-sector, considering the fluctuating sales trends observed over the years. Additionally, the automotive industry is a significant contributor to Indonesia's Gross Domestic Product (GDP). This phenomenon has drawn the researcher's interest, prompting further exploration in this study.

Based on the outlined phenomenon, a research gap exists in previous studies regarding the impact of capital structure and liquidity on the financial performance of manufacturing companies. Furthermore, the role of company size as a moderating variable in this relationship remains underexplored. Therefore, this study aims to examine the influence of capital structure and liquidity on the financial performance of manufacturing firms in Indonesia, while also assessing the moderating effect of company size in this relationship.

1.2 Research Questions

Based on the background discussion above, several key research questions arise:

1. Does capital structure positively impact company financial performance?
2. Does liquidity negatively impact company financial performance?
3. Does firm size moderate the relationship between capital structure and company financial performance?

4. Does firm size moderate the relationship between liquidity and company financial performance?
5. Does capital structure, liquidity, and firm size simultaneously impact company financial performance?

1.3 Research Objectives

The objectives of this study are as follows:

1. To analyze and examine whether capital structure has a positive impact on the company's financial performance.
2. To analyze and examine whether liquidity has a negative impact on the company's financial performance.
3. To analyze and examine whether firm size can positively moderate the relationship between capital structure and company's financial performance.
4. To analyze and examine whether firm size can positively moderate the relationship between liquidity dan company's financial performance.
5. To analyze and examine whether capital structure, liquidity, and firm size simultaneously impact company financial performance.

1.4 Research Contribution

The researcher hopes that this study can provide both theoretical and practical contributions to various stakeholders, as outlined below.

1.4.1 Theoretical Contribution

It is expected that this study can provide deeper understanding towards trade-off theory and signaling theory. For trade-off theory, this study can provide new insight by examining how capital structure in the automotive industry influences financial performance and how company size moderates this relationship. Additionally, it reinforces signaling theory by exploring how liquidity serves as a signal to investors and whether the impact of this signal varies based on company size. By expanding the references and applications of these theories, this research aims to enhance the broader understanding of their implications.

1.4.2 Practical Contribution

a. For Companies

By conducting this research, it is expected to provide financial managers with insights on determining the optimal capital structure by considering liquidity and company size factors to enhance financial performance. Additionally, this study can serve as a guideline for management in managing liquidity, not only to maintain solvency but also to improve the company's profitability.

b. For Investors

This research is also expected to assist investors in assessing the financial health of automotive companies based on their capital structure and liquidity before making investment decisions. Additionally, it can provide valuable insights for creditors in evaluating risk and establishing credit policies by considering company size and liquidity capacity.

c. For Academics and Future Researchers

Serving as a reference for financial research, particularly in the automotive industry, this study explores how capital structure and liquidity interact with company size in influencing financial performance. It may also encourage further research by considering additional factors such as market volatility or operational strategies within the automotive sector. Moreover, the academic community can recommend or provide a platform for future studies based on research priorities.