



## **Optimizing Financial Performance: Evidence from Capital Structure, Firm Size, and Liquidity Dynamics**

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**ABSTRACT:** The objective of this study is to ascertain the impact of capital structure (DER), firm size (Ln Size), and liquidity (CR) on financial performance (ROA) among companies in the metals and other minerals sub-industry listed on the Indonesia Stock Exchange during the 2020–2024 period. The present study employs an explanatory survey design, utilizing quantitative secondary data. The population of this study consists of companies in the metals and other minerals sub-industry that are listed on the Indonesia Stock Exchange from 2020 to 2024. The purposive sampling method was employed to select the sample, resulting in the acquisition of data from 6 companies and 30 data points, encompassing a five-year observation period. The analytical methods employed encompassed descriptive statistical analysis, classical assumption tests, multiple linear regression analysis, and hypothesis testing. The findings of the research indicate that the capital structure exerts a partial influence on financial performance. Furthermore, the study demonstrates that firm size does not have a significant impact on financial performance, and liquidity does not affect financial performance. Concurrently, the capital structure, the size of the firm, and liquidity have been demonstrated to exert a simultaneous influence on financial performance.

**KEYWORDS:** capital structure, firm size, financial performance, liquidity.

### **INTRODUCTION**

Indonesia Stock Exchange (IDX) employs the IDX Industrial Classification system to categorize listed companies according to market exposure, delineating sectors, subsectors, industries, and sub-industries. The raw materials sector is comprised of one subsector, namely raw materials. The subsector under consideration comprises five distinct industries: chemicals, construction materials, containers and packaging, metals and minerals, and forestry and paper. The sector is characterized by continuous growth, with an increasing number of companies entering the field on an annual basis. This substantial growth has a beneficial effect on the Indonesian economy, particularly in terms of stimulating export activities. However, it concomitantly leads to an escalation in competition among companies. In the context of the business world, competition often prompts organizations to prioritize their financial performance and implement continuous improvement initiatives to facilitate growth and maintain competitiveness (Christ & Surjadi, 2021). This step is crucial to ensure that a company's activities align with the achievement of its long-term goals.

Comprehension of financial performance facilitates a company's identification of its strengths and weaknesses, as well as the discernment of opportunities and challenges in the market (Wahyudi, 2024). As posited by (Purba & Hidayat, 2025), the financial performance of a company is defined as the results achieved over a specified period, thereby serving as an indicator of the company's overall health and viability. Financial performance is also a metric used by companies to evaluate their success in generating profits (Yuliani, 2021). This study explores the multifaceted factors that can influence a company's financial performance. These factors include capital structure, company size, and liquidity.

Figure 1 illustrates the average Debt to Equity Ratio (DER), firm size, and Current Ratio (CR) exhibit inconsistent patterns in relation to Return on Assets (ROA). The increase in DER in 2022 was accompanied by a decline in ROA from 0.10 in 2021 to 0.07 in 2022. Similarly, although firm size increased to 29.07 in 2023, ROA decreased from 0.07 in 2022 to 0.05 in 2023. Meanwhile, the increase in CR in 2023 was not accompanied by an increase in ROA, whereas in 2022, CR decreased while ROA increased. These conditions indicate an inconsistent relationship between capital structure, firm size, liquidity, and financial performance as measured by ROA.

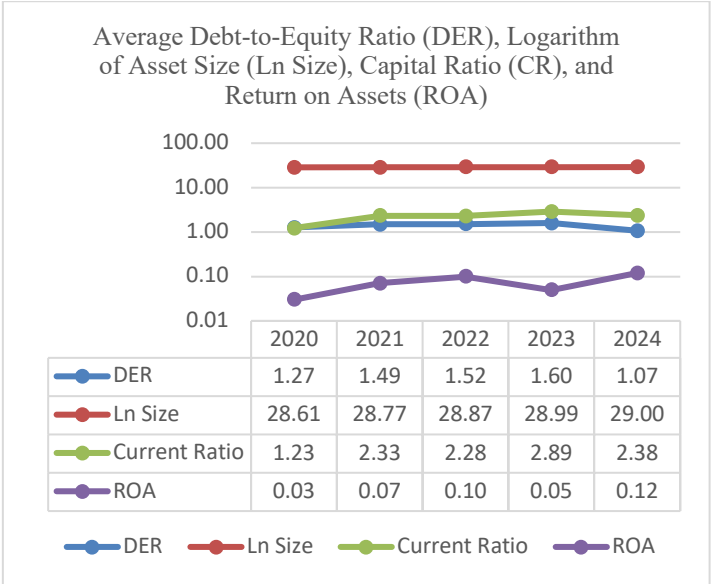


Figure 1. Average Capital Structure, Company Size, Liquidity, and Financial Performance of Companies in the Other Metals and Minerals Sub-Industry for the Period 2020–2024  
Source: [www.idx.co.id](http://www.idx.co.id), data processed in 2026

Observed phenomena in companies in the metals and other mineral sub-industries indicate a discrepancy between theoretical frameworks and empirical realities. In principle, an augmentation in capital structure has the potential to result in a deterioration in financial performance. Conversely, an increase in firm size and liquidity may precipitate an enhancement in financial performance. However, an examination of firm performance reveals that the relationship between these variables does not always align with existing theoretical frameworks. This phenomenon suggests a discrepancy between theoretical frameworks and empirical observations, thereby establishing a foundation for subsequent research endeavors. The results of a study conducted by Simbolon et al (2025) demonstrate that capital structure, firm size, and liquidity exert a partial effect on financial performance. Concurrently, the capital structure, the magnitude of the firm, and liquidity collectively influence financial performance. However, research conducted by Sembiring et al (2024) found that firm size, capital structure, and liquidity simultaneously and significantly influence the financial performance of mining companies during the 2020–2022 period. The impact of firm size and capital structure is evident, while liquidity remains uninfluenced.

Impetus for conducting this follow-up study was rooted in the observed phenomena and the inconsistent results of previous studies. The objective of this study is to ascertain the impact of capital structure, firm size, and liquidity on the financial performance of companies in the metals and other minerals sub-industry listed on the Indonesia Stock Exchange during the 2020–2024 period.

THEORETICAL FOUNDATION

Capital Structure

Capital structure is defined as the balance between the use and utilization of long-term debt and equity. More specifically, it refers to the extent to which long-term debt is used to improve and optimize a company. Capital structure is also a form of permanent expenditure, reflecting the balance between long-term debt and equity (Ilahi et al., 2021). In this study, the debt-to-equity ratio (DER) is employed as an indicator to measure capital structure. The DER enables companies to assess their use of equity and borrowed capital and evaluate their ability to meet their obligations. Moreover, the DER signifies whether the management's performance thus far is congruent with the company's objectives.

$$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}} \times 100\%$$

**Firm Size**

According to (Jaya, 2020), the classification of company size is typically into two categories: large and small. The size of a company can be determined by a variety of metrics, including total sales, total assets as reported in financial statements, or the number of employees. The size of a company is typically measured by its total assets at the end of the fiscal year. Moreover, total sales can be utilized as a metric to evaluate a company's size. In this study, company size is measured using total assets as an indicator. This indicator is frequently utilized by companies to assess their size, as total assets carry significantly more weight than other financial variables in a company's financial statements.

$$\text{Size} = \text{LN (Total Assets)}$$

**Liquidity**

Liquidity constitutes a pivotal component within the framework of corporate financial management. An adequate level of liquidity is indicative of a company's ability to meet its short-term obligations without encountering financial strain. Beyond its role as an indicator of financial health, liquidity also reflects a company's capacity to maintain the seamless operation of its business (Syahrani & Sisdianto, 2024). The current ratio (CR) is a measure of liquidity that is employed to ascertain a company's capacity to fulfill its financial obligations. A high current ratio is indicative of timely obligation fulfillment by the company and serves as a signal of reliability to creditors.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100\%$$

**Financial Performance**

Financial performance is defined as the degree to which a company, organization, or individual is able to manage and utilize its financial resources to achieve objectives such as generating profit, economic growth, and ensuring sustainability. The success of a company is contingent upon its ability to achieve these objectives (Savira, 2024). Financial performance is measured using profitability ratios, with Return on Assets (ROA) serving as an indicator. Profitability ratios are indicators employed to assess a company's ability to generate profit based on its performance as reflected in its financial statements (Rombe & Sintha, 2023).

$$\text{ROA} = \frac{\text{Net Income After Tax}}{\text{Total Assets}} \times 100\%$$

**The Impact of Capital Structure on Financial Performance**

According to (Sembiring et al., 2024), an optimal capital structure is achieved when a company is able to balance risk and potential returns so that its stock value can be maximized. A capital structure is regarded as sound when the proportion of debt does not exceed the value of equity. That is to say, the level of debt should be proportional to the company's capital. In accordance with the trade-off theory, a considerable amount of long-term debt can function as a source of financing for a company to make investments that yield economic benefits. The generation of profits from these investments is expected to have a positive impact on the company's profitability, thereby enhancing its financial performance.

H1 : Capital structure affects financial performance in the metals and other minerals subindustry for the 2020–2024 period

**The Effect of Firm Size on Financial Performance**

According to (Jumantari et al., 2022), as the total assets controlled by a firm increase, there is a corresponding increase in the probability that the firm will be classified as large. Entities with larger assets generally have broader market access and more intensive operational activities compared to small firms. These conditions allow companies to generate higher profits, which can improve their financial performance. The size of a company is indicative of its magnitude, whether it is large or small. The size of a company is considered a factor in its financial performance because larger companies generally have greater capacity to generate sales and manage assets, thereby increasing the chances of achieving higher profits (Purba & Hidayat, 2025).

H2 : Firm size affects financial performance in the metals and other minerals subindustry for the 2020–2024 period

## The Impact of Liquidity on Financial Performance

The capacity of an entity to fulfill its immediate financial obligations, as measured by its liquidity ratio, is regarded as a pivotal element in the assessment of financial performance (Doni & Dwiarti, 2023). Companies with high liquidity ratios tend to have a greater ability to pay cash dividends, thereby attracting investors to invest their capital. Conversely, a high level of capitalization has been demonstrated to reduce a company's debt, which in turn lowers interest expenses and increases profits. However, it should be noted that tax liabilities also rise in tandem with increased capitalization (Jessica & Triyani, 2022).

H3 : Liquidity affects financial performance in the metals and other minerals subindustry for the 2020–2024 period

## The present study explores the influence of capital structure, firm size, and liquidity on financial performance

According to (Riswan & Martha, 2024), financial performance is the result of achievements that reflect the financial health of a commercial entity, as reflected in its financial statements. For a corporation, the capacity to exhibit ongoing enhancement in financial performance signifies the attainment of its objective of generating profits in a efficient and effective manner. The assessment of financial performance constitutes a critical step in ensuring that obligations to financial stakeholders are fulfilled and in supporting the achievement of the company's objectives. A multitude of factors have been identified as contributors to a company's financial performance, including firm size, capital structure, and liquidity (Sembiring et al., 2024).

H4 : Capital structure, firm size, and liquidity affect financial performance in the metals and other minerals subindustry for the 2020–2024 period

## RESEARCH METHODS

This study employs a verification research design using the *Explanatory Survey* method to examine the effects of capital structure, firm size, and liquidity on the financial performance of companies in the other metals and minerals sub-industry listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The study uses quantitative secondary data, with samples selected through non-probability sampling using the purposive sampling method. Of the 16 companies comprising the population, 6 companies were selected as the research sample based on the criteria of complete financial statement availability and the use of Indonesian Rupiah as the reporting currency.

## RESULT

### Descriptive Statistical Analysis

**Table 1. Descriptive Statistical Analysis**

| Descriptive Statistics |    |         |         |         |                |
|------------------------|----|---------|---------|---------|----------------|
|                        | N  | Minimum | Maximum | Mean    | Std. Deviation |
| ROA                    | 30 | -,07    | ,30     | ,0705   | ,09237         |
| DER                    | 30 | ,15     | 5,25    | 1,3897  | 1,51754        |
| Ln Size                | 30 | 25,97   | 31,43   | 28,8476 | 1,50508        |
| CR                     | 30 | ,90     | 5,92    | 2,2212  | 1,43675        |
| Valid N (listwise)     | 30 |         |         |         |                |

As presented in Table 1, the study's sample size (N) is 30, with the independent variables comprising capital structure (DER), firm size (LnSize), and liquidity (CR), and the dependent variable being financial performance (ROA). The results of the descriptive statistical analysis in this study are as follows:

1. The Return on Assets (ROA) variable indicates a minimum value of -0.07 and a maximum value of 0.30, with a mean of 0.0705 and a standard deviation of 0.09237.
2. The Debt-to-Equity Ratio (DER) variable indicates a minimum value of 0.15 and a maximum value of 5.25, with a mean of 1.3897 and a standard deviation of 1.51754.
3. The Ln Size variable indicates a minimum value of 25.97 and a maximum value of 31.43, with a mean of 28.8476 and a standard deviation of 1.50508.
4. The Current Ratio (CR) variable indicates a minimum value of 0.90 and a maximum value of 5.92, with a mean of 2.2212 and a standard deviation of 1.43675.

# Normality Test

Table 2. Normality Test

| One-Sample Kolmogorov-Smirnov Test |                         |
|------------------------------------|-------------------------|
|                                    | Unstandardized Residual |
| Test Statistic                     | ,119                    |
| Asymp. Sig. (2-tailed)             | ,200 <sup>c,d</sup>     |

As indicated by the results presented in Table 2, the normality test employing the One-Sample Kolmogorov-Smirnov Test demonstrates that the data are normally distributed, given that the residuals possess a significance value (Asymp. Sig. The two-tailed p-value is 0.200, or greater than 0.05.

# Multicollinearity Test

Table 3. Multicollinearity Test

| Coefficients <sup>a</sup> |            |                             |            |                           |        |      |                         |       |
|---------------------------|------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
| Model                     |            | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. | Collinearity Statistics |       |
|                           |            | B                           | Std. Error | Beta                      |        |      | Tolerance               | VIF   |
| 1                         | (Constant) | 629                         | ,302       |                           | 2,084  | ,047 |                         |       |
|                           | DER        | ,032                        | ,010       | -,526                     | -3,185 | ,004 | ,816                    | 1,226 |
|                           | Ln Size    | ,018                        | ,010       | -,299                     | -1,841 | ,077 | ,846                    | 1,182 |
|                           | CR         | ,007                        | ,011       | ,104                      | ,594   | ,558 | ,726                    | 1,377 |

Table 3. The multicollinearity test, employing the Variance Inflation Factor (VIF) method, indicates the absence of multicollinearity, as the tolerance values for all variables are > 0.10 and the VIF values for all variables are < 10.

# Heteroscedasticity Test

Table 4. Heteroscedasticity Test

| Correlations   |                         |                         |         |         |       |                         |  |
|----------------|-------------------------|-------------------------|---------|---------|-------|-------------------------|--|
|                |                         |                         | DER     | Ln Size | CR    | Unstandardized Residual |  |
| Spearman's rho | DER                     | Correlation Coefficient | 1,000   | -,637** | ,247  | -,132                   |  |
|                |                         | Sig. (2-tailed)         | .       | ,188    | ,000  | ,487                    |  |
|                |                         | N                       | 30      | 30      | 30    | 30                      |  |
|                | Ln Size                 | Correlation Coefficient | ,247    | 1,000   | -,290 | -,049                   |  |
|                |                         | Sig. (2-tailed)         | ,188    | .       | ,120  | ,798                    |  |
|                |                         | N                       | 30      | 30      | 30    | 30                      |  |
|                | CR                      | Correlation Coefficient | -,637** | -,290   | 1,000 | ,141                    |  |
|                |                         | Sig. (2-tailed)         | ,000    | ,120    | .     | ,456                    |  |
|                |                         | N                       | 30      | 30      | 30    | 30                      |  |
|                | Unstandardized Residual | Correlation Coefficient | -,132   | -,049   | ,141  | 1,000                   |  |
|                |                         | Sig. (2-tailed)         | ,487    | ,798    | ,456  | .                       |  |
|                |                         | N                       | 30      | 30      | 30    | 30                      |  |

As indicated by the results presented in Table 4, the application of the heteroscedasticity test employing Spearman's correlation method reveals the absence of heteroscedasticity, as the residual values for all variables demonstrate a significance level (Sig. The two-tailed p-value is greater than 0.05.

# Autocorrelation Test

Table 5. Autocorrelation Test

| Runs Test               |                         |
|-------------------------|-------------------------|
|                         | Unstandardized Residual |
| Test Value <sup>a</sup> | ,01585                  |
| Cases < Test Value      | 15                      |
| Cases >= Test Value     | 15                      |
| Total Cases             | 30                      |
| Number of Runs          | 19                      |
| Z                       | ,929                    |
| Asymp. Sig. (2-tailed)  | ,353                    |

As indicated by the results presented in Table 5, the application of the Runs Test method to the autocorrelation test has yielded the conclusion that there is an absence of autocorrelation, as evidenced by the insignificance of the residual values (Asymp. Sig. (2-tailed) is greater than 0.05).

# Multiple Linear Regression Analysis

Table 6. Multiple Linear Regression Analysis

| Coefficients <sup>a</sup> |            |                             |            |                           |        |      |
|---------------------------|------------|-----------------------------|------------|---------------------------|--------|------|
| Model                     |            | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|                           |            | B                           | Std. Error | Beta                      |        |      |
| 1                         | (Constant) | ,629                        | ,302       |                           | 2,084  | ,047 |
|                           | DER        | -,032                       | ,010       | -,526                     | -3,185 | ,004 |
|                           | Ln Size    | -,018                       | ,010       | -,299                     | -1,841 | ,077 |
|                           | CR         | ,007                        | ,011       | ,104                      | ,594   | ,558 |

In consideration of the results obtained from the aforementioned test, the multiple linear regression equation and its interpretation are as follows:

$$Y = 0.629 - 0.032 X_1 - 0.018 X_2 + 0.007 X_3 + e$$

- It has been established that the constant ( $\alpha$ ) is 0.629. This indicates that, in the event that the debt-to-equity ratio (DER), firm size (LnSize), and current ratio (CR) are all set to zero, the financial performance (ROA) will be equivalent to 0.629.
- The regression coefficient for capital structure (DER) is negative at -0.032, indicating that for every 1-unit increase in capital structure (DER), financial performance (ROA) decreases by -0.032, under the assumption that the values of the other independent variables remain constant.
- The regression coefficient for firm size (Ln Size) is negative at -0.018, indicating that for every 1-unit increase in liquidity (CR), financial performance (ROA) decreases by -0.018, under the assumption that the values of the other independent variables remain constant.
- The regression coefficient for liquidity (CR) is positive at 0.007. This indicates that for every 1-unit increase in firm size (Ln Size), financial performance (ROA) increases by 0.007, under the assumption that the values of the other independent variables remain constant.

# T-Test

Table 7. T-Test

| Coefficients <sup>a</sup> |            |                             |            |                           |        |      |
|---------------------------|------------|-----------------------------|------------|---------------------------|--------|------|
| Model                     |            | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|                           |            | B                           | Std. Error | Beta                      |        |      |
| 1                         | (Constant) | ,629                        | ,302       |                           | 2,084  | ,047 |
|                           | DER        | -,032                       | ,010       | -,526                     | -3,185 | ,004 |
|                           | Ln Size    | -,018                       | ,010       | -,299                     | -1,841 | ,077 |
|                           | CR         | ,007                        | ,011       | ,104                      | ,594   | ,558 |

As demonstrated in Table 7, the t-test indicates that the capital structure (DER) has a calculated  $t_{\text{value}}$  of -3.185 and a  $t_{\text{table}}$  of 2.05553. This indicates that the calculated  $-t_{\text{value}}$  is  $< -t_{\text{table}}$  ( $-3.185 < -2.05553$ ) with a significance level of 0.004, which is  $< 0.05$  ( $0.004 < 0.05$ ). Consequently, the  $H_0$  is rejected and the  $H_1$  is accepted. The statistical analysis of the test results indicates that the company size (Ln Size) has a calculated  $t_{\text{value}}$  of -1.841 and a  $t_{\text{table}}$  of 2.05553. This suggests that the calculated  $-t_{\text{value}}$  is  $< -t_{\text{table}}$  ( $-1.841 < -2.05553$ ), with a p-value of 0.077, which is  $> 0.05$  ( $0.077 > 0.05$ ). Consequently, the result is deemed not to be statistically significant. Consequently, the  $H_0$  is accepted and the  $H_2$  is rejected. The findings of the t-test demonstrate that liquidity (CR) possesses a calculated  $t_{\text{value}}$  of 0.594 and a  $t_{\text{table}}$  of 2.05553. This indicates that the calculated  $t_{\text{value}}$  is  $< t_{\text{table}}$  ( $0.594 < 2.05553$ ). Additionally, the p-value of 0.558 is  $> 0.05$  ( $0.558 > 0.05$ ), signifying that the result is not statistically significant. Consequently, the  $H_0$  is accepted, while the  $H_3$  is rejected.

# F-Test

Table 8. F-Test

| ANOVA <sup>a</sup> |            |                |    |             |       |                   |
|--------------------|------------|----------------|----|-------------|-------|-------------------|
| Model              |            | Sum of Squares | df | Mean Square | F     | Sig.              |
| 1                  | Regression | ,104           | 3  | ,035        | 6,297 | ,002 <sup>b</sup> |
|                    | Residual   | ,143           | 26 | ,006        |       |                   |
|                    | Total      | ,247           | 29 |             |       |                   |

As indicated by the results presented in Table 8, the F-test yielded a calculated  $F_{\text{value}}$  of 6.297 and a  $F_{\text{table}}$  of 2.98, with a significance level of 0.002. Given that the calculated  $F_{\text{value}} > F_{\text{table}}$  ( $6.297 > 2.98$ ) and the p-value is less than 0.05 ( $0.002 < 0.05$ ), it can be concluded that the  $H_0$  is rejected and the  $H_4$  is accepted.

# Coefficient of Determination ( $R^2$ )

Table 9. Coefficient of Determination ( $R^2$ )

| Model Summary |                   |          |                   |                            |
|---------------|-------------------|----------|-------------------|----------------------------|
| Model         | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1             | ,649 <sup>a</sup> | ,421     | ,354              | ,07425                     |

As indicated by Table 9, the adjusted R-squared value is employed in studies that utilize multiple independent variables. The adjusted R-squared value is 0.354, indicating that the research model, which incorporates independent variables such as capital structure, firm size, and liquidity, accounts for 35.4% of the variation in financial performance. The residual 64.6% is attributed to other variables.

**RESEARCH DISCUSSION****The Effect of Capital Structure on Financial Performance**

The findings of this study suggest that capital structure (DER) exerts a substantial influence on financial performance (ROA) among companies operating within the metals and other minerals sub-industry that are listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The findings of this study are consistent with the test results, which indicate a relationship between the capital structure variable and the financial performance variable. Consequently, the  $H_1$  is accepted.

Capital structure is a crucial aspect for a company; striking a balance between debt and equity involves determining the optimal ratio between the two to achieve efficient results. The findings of the study lend support to the Trade Off Theory, which posits that when a capital structure signifies a company's reliance on debt, which can result in increased interest expenses and the heightened risk of default, this has a substantial impact on ROA or financial performance. The company's financial position is anticipated to deteriorate, with a decline in profits being driven by mounting interest expenses and the prospect of default. This decline in profits is attributable to the necessity for the company to repay its debt, along with the associated interest expenses. This necessitates the allocation of funds by the company, which in turn exerts an influence on its financial performance. An organisation's capital structure is a key factor in its financial strategy, and a continuous increase in the capital structure can result in a greater reliance on debt financing. Consequently, companies are required to enhance their capacity to manage equity and debt with greater effectiveness and efficiency. The findings of this study indicate that enterprises with a substantial reliance on debt are susceptible to elevated default risk and increased interest expenses. The findings of this study are consistent with and corroborated by research conducted by Palijama & Usmany (2025), which posits that the Debt to Equity Ratio exerts a substantial influence on financial performance (ROA). However, research conducted by Harsono & Pamungkas (2020) found that the Debt to Equity Ratio does not affect financial performance (ROA).

**The Effect of Firm Size on Financial Performance**

The findings of this study suggest that firm size (Ln Size) exerts no influence on financial performance (ROA) among companies in the metals and other minerals sub-industry listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period. The hypothesis of this study is inconsistent with the test results, which indicate no relationship between the firm size variable and the financial performance variable. Consequently, the  $H_2$  is rejected.

Consequently, the findings of this study indicate that firm size, as gauged by the Ln Size indicator, does not exert a significant influence on firm performance as measured by ROA. The findings do not support the theory or previous research suggesting that firm size influences financial performance. In other words, the hypothesis that large firms succeed in managing their total assets effectively and optimally to generate profits that would impact financial performance is not supported by the data. These results are consistent with and have been corroborated by research conducted by Setiawati (2020), which found that Ln Size does not affect financial performance (ROA). However, research conducted by Anisa & Ambarawati (2024) found that Ln Size does affect financial performance (ROA).

**The Effect of Liquidity on Financial Performance**

The findings of this study suggest that liquidity, as measured by the Current Ratio (CR), does not exert a significant influence on financial performance, as indicated by the Return on Assets (ROA), in companies operating within the metals and other minerals sub-industry that are listed on the Indonesia Stock Exchange (IDX) during the period from 2020 to 2024. The hypothesis of this study is inconsistent with the test results, which indicate that there is no relationship between the liquidity variable and the financial performance variable. Consequently, the  $H_3$  is rejected.

These test results do not provide any indication that companies capable of meeting their short-term obligations can influence the company's ability to generate profits from current assets. The absence of a correlation between liquidity and financial performance may be attributable to an increase in liquidity. This increase is attributed to companies' reliance on current assets to fulfill their short-term obligations, thereby impeding their capacity to generate profits. These results are consistent with and supported by research conducted by Oktaviyana et al. (2023), which found that the current ratio does not affect financial performance (ROA). However, research conducted by Farida & Yulazri (2024) found that the current ratio does affect financial performance (ROA).

**The Effect of Capital Structure, Firm Size, and Liquidity on Financial Performance**

The findings of this study suggests that capital structure (DER), firm size (Ln Size), and liquidity (Current Ratio) influence financial performance (ROA) in companies within the "other metals and minerals" sub-industry listed on the Indonesia Stock Exchange (IDX) for the period 2020–2024. The hypotheses proposed in this study align with the findings of the test results, which suggest a significant impact of the capital structure variable, measured by the Debt to Equity Ratio (DER), on the financial performance variable, measured by Return on Assets (ROA). This impact is further influenced by company size, measured by Ln Size, and liquidity, measured by the Current Ratio (CR). Consequently, the is H<sub>4</sub> accepted.

It is evident that fluctuations in capital structure, firm size, and liquidity directly correspond to corresponding fluctuations in financial performance. These results are consistent with and have been corroborated by previous research indicating that capital structure (DER), firm size (Ln Size), and liquidity (Current Ratio) influence financial performance.

**CONCLUSION**

The research analysis and discussion regarding the impact of capital structure, firm size, and liquidity on financial performance in companies in the "other metals and minerals" sub-industry on the Indonesia Stock Exchange for the 2020–2024 period have been conducted. The findings indicate that capital structure exerts a significant influence on financial performance. It has been demonstrated that companies with a high reliance on debt are more likely to incur increased interest expenses and default risk, which in turn has a substantial impact on ROA or financial performance. A persistent increase in the capital structure of a company can result in an excessive reliance on debt financing. The finding that firm size does not affect financial performance suggests that large firms do not necessarily succeed in managing their total assets effectively and optimally to generate profits that would positively impact financial performance. The absence of a correlation between liquidity and financial performance may be attributable to an increase in liquidity resulting from companies' consistent utilization of current assets to fulfill their short-term obligations, thereby impeding their capacity to generate profits. Conversely, if capital structure, company size, and liquidity simultaneously influence financial performance, this indicates that the greater the increase or decrease in capital structure, firm size, and liquidity, the more it will affect financial performance.

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