Liquidity and Foreign Ownership as Drivers of Financial Performance in Indonesia's Property Sector

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ABSTRACT
This study examines the effect of liquidity and foreign ownership on the financial performance of property and real estate companies listed on the Indonesia Stock Exchange (IDX) during 2022–2024. The sector plays a key role in Indonesia's economic growth but faces challenges from post-pandemic recovery, inflation, and global uncertainty. Liquidity is crucial for ensuring operational stability and financing long-term projects, while foreign ownership can strengthen governance, monitoring, and access to international capital. Using a quantitative approach with secondary data from annual financial reports, multiple linear regression analysis was applied to test the hypotheses. The results show that liquidity has a positive and significant effect on financial performance, as companies with strong liquidity are better able to meet obligations and sustain profitability. Foreign ownership also positively influences performance by enhancing corporate governance, transparency, and management discipline through stricter monitoring and knowledge transfer. These findings support agency theory, emphasizing the role of liquidity and foreign investors in reducing information asymmetry and improving efficiency. The study contributes theoretically to emerging market literature and provides practical implications for managers to strengthen liquidity management and for policymakers to encourage supportive regulations that attract foreign investment.

Keywords: Current ratio, Financial performance, Foreign ownership, Liquidity, Return on asset

1. INTRODUCTION

Financial performance reflects a company's success in utilizing resources to achieve profits and meeting its objectives, as shown in financial reports that provide essential information for stakeholders such as creditors, shareholders, the government, the public, and internal parties. It indicates the effectiveness of management in resource management, and investors often assess both financial performance and the implementation of good corporate governance to evaluate the company's long-term business prospects (Setiawan & Kurniawati, 2023). Managers are professionals with a wealth of expertise and a deep comprehension of how a company operates. Consequently, to attain optimal profitability, managers consistently concentrate on analyzing and assessing the aspects that affect it. When the determinants affecting their objectives are evident, organizations will establish appropriate policies to optimize their resources, hence enhancing performance and profitability. This consistently garners attention from owners, boards of directors, investors, and other stakeholders (Quoc et al., 2024).

The property and real estate sector plays a pivotal role in Indonesia's economic development, serving as one of the main drivers of national growth. According to official data, this sector contributed significantly to GDP and continued to attract investment, both domestic and foreign, during the period 2022–2024. Its importance lies not only in its direct impact on employment and infrastructure development, but also in its multiplier effect on related industries such as construction, banking, and manufacturing. However, the sector's performance is highly dependent on the availability of financing, capital structure, and investor confidence, making the study of financial determinants particularly relevant.

Liquidity is essential for a company's capacity to fulfill its short-term obligations and sustain a continuous cash flow by enabling the rapid and efficient conversion of assets, including financial investments, short-term financing, accounts receivable, short-term advances, and inventories into cash (Nam & Tuyen, 2024). For property and real estate companies, liquidity is critical given the long duration and capital intensity of their projects. The period of 2022–2024 represents a challenging recovery phase following the COVID-19 pandemic, marked by inflationary pressures, fluctuating interest rates, and global economic uncertainty. In such conditions, firms with strong liquidity are more resilient, able to sustain operations, and more capable of seizing investment opportunities, all of which ultimately affect financial performance.

Another important determinant is foreign ownership, which brings not only capital inflows but also knowledge transfer, stronger monitoring mechanisms, and higher standards of corporate governance. Foreign institutional investors strengthen external regulation, monitoring, and quality of information disclosure in three ways: by monitoring profit management and pressuring managers to be more transparent; by influencing share prices through voting rights or share transactions; and by holding managers accountable for harmful behaviour (Lai et al., 2024). In the Indonesian property sector, which is capital intensive and highly sensitive to global investment trends, foreign ownership can provide a strategic advantage by expanding financing access and enhancing market legitimacy. Research on the combined effect of liquidity and foreign ownership on financial performance remains limited in Indonesia's property and real estate sector during the post-pandemic recovery. Most studies have examined these factors separately, leaving a gap in understanding their interaction in this strategic yet vulnerable industry.

Nam & Tuyen (2024) discovered in their study that liquidity exerts a positive and significant influence on financial performance. Companies with significant liquidity typically exhibit superior financial performance. Research by Cahyani et al. (2024), Dewi et al. (2024) indicates that liquidity, as assessed by the current ratio, exerts a partial and favorable influence on financial performance. An augmentation of liquidity can bolster a company's legitimacy and provoke a favorable reaction from investors, so enhancing profitability. In contrast, the findings of research conducted by Imronudin et al. (2022), Nuryanti & Suryandani (2025) and Pambelum et al. (2023) indicate that liquidity does not influence financial performance, as numerous enterprises rely on debt for financing, leading to a deficiency in liquidity.

Research conducted by Putri & Setiawan (2023) indicates that foreign ownership positively influences corporate performance, as assessed by return on assets. Perkasa & Kurniawan (2025) and Upinius & Yusnita (2025) assert that foreign ownership can enhance a company's financial performance by facilitating the transfer of expertise and the implementation of effective governance procedures. The influx of foreign cash into Indonesian enterprises will bolster the resources available to finance corporate activity. Research conducted by Kurniawati et al. (2025), Novananda (2024), and Setiawan & Kurniawati (2023) indicates that foreign ownership does not influence corporate performance. Foreign ownership is predominantly passive and has not yet assumed a significant role in decision-making.

Based on these considerations, this study aims to analyze the effect of liquidity and foreign ownership on the financial performance of property and real estate companies listed on the Indonesia Stock Exchange for the period 2022–2024. The findings are expected to provide both theoretical contributions, by reinforcing agency theory in the context of emerging markets, and practical insights, by offering recommendations for corporate managers and policymakers in strengthening financial resilience and competitiveness in the property sector.

2. LITERATURE REVIEW

2.1. Agency Theory

Agency theory explains the relationship between principals (shareholders) and agents (managers), which is often characterized by information asymmetry and conflicting interests. To reduce these conflicts, firms rely on governance mechanisms that improve monitoring and align managerial decisions with shareholder objectives. In this study, both liquidity and foreign ownership are viewed through the agency lens: liquidity signals financial discipline and reduces managerial discretion, while foreign investors act as external monitors who enforce stricter governance standards and enhance transparency (Putri & Setiawan, 2023).

2.2. Financial Perfomance

Financial performance reflects a company's effectiveness in using its resources to generate profits and sustain operations. It provides critical information for stakeholders and serves as a benchmark for corporate sustainability. Among the many indicators of performance, return on assets (ROA) is widely used because it captures how efficiently firms employ total assets to generate earnings (Annisak Mochtaro Latifah et al., 2023).

2.3. Liquidity

Liquidity is a metric that reflects a company's capacity to swiftly convert assets into cash to fulfill current liabilities, including loans and payables. An investor can assess an entity's liquidity and capacity to meet liabilities in both the short-term and long-term by analyzing the liquidity ratio. It is essential to properly manage liquidity since it is a key indicator of the upkeep and expansion of the majority of businesses (Quoc et al., 2024).

2.4. Foreign Ownership

Foreign ownership refers to the ratio of shares held by foreign investors to the total number of shares outstanding. Companies with foreign investors intend to provide more extensive disclosures than those without foreign control. The external owner of the company differs from the internal owner, as the former is less likely to engage in the daily operational activities of the organization (Setiawan & Kurniawati, 2023).

2.5. HYPOTHESIS DEVELOPMENT

2.5.1. The Influence of Liquidity on Financial Perfomance

Liquidity refers to a company's capacity to promptly satisfy its financial commitments. The liquidity ratio, which compares current assets to current liabilities, measures liquidity. A company's liquidity directly correlates with its ability to fulfill urgent obligations. Assessing the liquidity ratio is advantageous, particularly for suppliers concerned with a company's capacity to fulfill its short-term liabilities (Imronudin et al., 2022). For property and real estate firms, which are capital-intensive and involve long project cycles, maintaining adequate liquidity is crucial to ensure continuous cash flow and prevent project delays. Given the capital intensity and high uncertainty faced by Indonesia’s property sector during the 2022–2024 recovery period, liquidity is expected to play a decisive role in strengthening financial performance. Agency theory posits that managers are tasked with judiciously managing the financial performance of the enterprise, which entails determining the allocation of funds to creditors and prioritizing internal resources. This is essential as businesses can gain advantages from even modest loans from creditors if resources are utilized efficiently. Moreover, enhanced liquidity enables corporations to more effectively settle their debts, so bolstering the confidence of creditors and other stakeholders. The liquidity ratio serves as a significant signal that can affect a company's rapport with lenders and investors, in addition to being a metric of financial performance (Nuryanti & Suryandani, 2025). Based on Cahyani et al. (2024), Dewi et al. (2024) and Nam & Tuyen (2024) said that financial performance is affected by liquidity. Companies exhibiting elevated liquidity ratios indicate robust financial success, although diminished liquidity ratios are not inherently detrimental. Elevated liquidity ratios signify that firms own substantial capital allocated to current assets.
H1: Liquidity has a positive and significant effect on financial performance.

2.5.2. The Influence of Foreign Ownership on Financial Perfomance

Foreign ownership pertains to the possession of shares by individuals or entities based outside the country. Companies may be administered by proprietors who function differently from those in the company's place of origin; yet, the involvement of foreign owners will undoubtedly enhance the company. Foreign ownership is more effective than local ownership in mitigating agency conflicts between investors and corporate management (Kurniawati et al., 2025). In the context of Indonesia’s property and real estate sector, the role of foreign ownership is particularly critical. This industry is capital intensive, requires long investment horizons, and is highly sensitive to global economic conditions. During the post-pandemic recovery period (2022–2024), foreign investors were not only a source of capital but also a stabilizing force that enhanced market credibility and investor confidence. By introducing international standards of governance and demanding greater financial discipline, foreign ownership is expected to play an active role in improving corporate performance in this sector. Foreign ownership is crucial in minimizing conflicts between managers (agents) and shareholders (principals) under the framework of agency theory. Furthermore, agency theory posits that foreign ownership serves as a robust monitoring tool, as foreign shareholders typically adhere to global governance stansdards, thereby diminishing knowledge asymmetry between managers and shareholders (Perkasa & Kurniawan, 2025). Based on Putri & Setiawan (2023), Perkasa & Kurniawan (2025) and Upinius & Yusnita (2025) said that foreign ownership positively influences financial performance. These results indicate that foreign ownership exerts increased pressure on enterprises to consistently enhance their performance and promote advancement by providing information on the corporate website in an accessible style. It is posited that foreign ownership is more vigorous in enforcing sanctions on corporations than domestic ownership.
H2: Foreign Ownership has a positive and significant effect on financial performance.

3. METHOD

3.1. Research Type and Sample

This study employs a quantitative research design with a descriptive approach, relying on secondary data to analyze the relationship between liquidity, foreign ownership, and financial performance. Quantitative methods are considered appropriate as they allow for the measurement of financial ratios and ownership structures using numerical data, which can then be statistically tested through regression analysis. The use of secondary data, drawn from audited annual financial reports, ensures reliability and comparability across companies. The research population includes all property and real estate companies

listed on the Indonesia Stock Exchange (IDX) during the period 2022–2024. This sector was selected because of its strategic importance to Indonesia's economic growth and its capital-intensive nature, which makes liquidity and ownership structure critical determinants of performance. From the population of 92 firms, a purposive sampling technique was applied to identify the final sample.
Purposive sampling was chosen to ensure that only companies meeting specific criteria were included in the study.

a. Property and real estate firms registered on the Indonesia Stock Exchange (IDX) from 2022 to 2024
b. Property and real estate firms that released comprehensive financial statements for the years 2022-2024
c. Property and real estate firms that disclosed financial data in rupiah

3.2. Research Model

The relationship between liquidity and foreign ownership on the financial performance of real estate and property companies listed on the Indonesia Stock Exchange between 2022 and 2024 serves as the research model for this study.

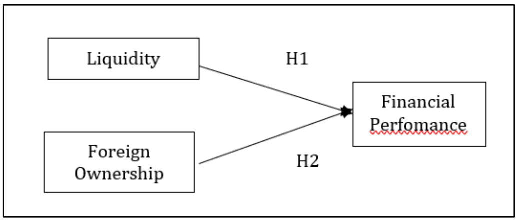

Figure 1. Research Model

3.3. Variable Indetification and Indicators

This study comprises three variables which two independent variables and one dependent variable. The dependent variable (Y) represents corporate performance, whereas the independent variables (X) consist of liquidity and foreign ownership. The following is an explanation for each variable:

3.3.1. Financial Perfomance (Y)

Financial performance assesses a company's financial position by analyzing financial statements at a specific moment with financial analysis techniques. The caliber of financial performance over a specific period can be assessed by the company's strategic decisions and the examination of financial statements. This study employs Return on Assets (ROA) to forecast financial performance. A high ROA value indicates that the company efficiently generates profits, leading to superior financial success. A high ROA signifies that the organization is capable of generating profits, whereas a low ROA denotes an inability to produce earnings or suggests losses (Cahyani et al., 2024). The following formula is employed for quantifying this:

$$\text{Return on asset (ROA)} = \frac{\text{Net profit}}{\text{Total assets}}$$

3.3.2. Liquidity (X1)

Liquidity reflects a company's capacity to fulfill its short-term debt obligations and is a determinant of financial performance. The liquidity ratio is directly correlated with financial performance as it indicates the amount of funds accessible for the company's operations (Nam & Tuyen, 2024). This study use the Current Ratio as a performance assessment tool to evaluate a company's capacity to fulfill immediate short-term liabilities upon full billing. The inability of the business to manage its assets to finance short-term debt is shown by a lower current ratio, which denotes poor financial performance. A high current ratio signifies superior financial performance, as it demonstrates the company's capacity to manage its assets to fulfill short-term obligations (Affi & As'ari, 2023). This formula is utilized for quantification:

$$\text{Current ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}} \text{ x } 100\%$$

3.3.3. Foreign Ownership (X2)

Foreign ownership can be quantified by comparing the quantity of ordinary shares possessed by foreign investors to the total number of shares outstanding. This comparison illustrates the degree of impact exerted by foreign capital on the company. A significant percentage of shares held by foreign entities signifies a substantial degree of foreign ownership. The subsequent formula is utilized for quantifying this (Mufit & Handayani, 2025):

$$\text{Foreign Ownership} = \frac{\text{Number of Shares Owned by Foreigners}}{\text{Number of Shares Outstanding}} \text{ x } 100\%$$

3.4. Data Analysis Technique

The data in this study were analyzed using multiple linear regression to examine the effect of liquidity and foreign ownership on financial performance. Prior to regression analysis, a series of classical assumption tests were conducted to ensure the reliability and validity of the model. These tests included the normality test to verify the distribution of residuals, the multicollinearity test to detect potential correlations among independent variables, the heteroscedasticity test to examine the consistency of residual variance, and the autocorrelation test to evaluate the independence of residuals across time (Affi & As'ari, 2023). The results of these diagnostics confirmed that the model met all classical assumptions and was suitable for regression analysis.

Multiple linear regression was then applied to estimate the relationship between the independent variables and the dependent variable. This method is appropriate because it allows for the simultaneous assessment of the effects of liquidity and foreign ownership on financial performance, while also identifying the magnitude and direction of each relationship (Mufit & Handayani, 2025). The general regression equation used in this study is:

$Y = \alpha + \beta 1\ X1 + \beta 2\ X2$

Where Y represents financial performance measured by ROA, α is the constant, $\beta 1$ and $\beta 2$ are the coefficients of liquidity and foreign ownership respectively, and ε is the error term.

Finally, hypothesis testing was carried out using the t-test to assess the partial effect of each independent variable on financial performance. The decision criterion is based on a significance level of 5% ($\alpha = 0.05$). If the p-value is less than 0.05, the independent variable is considered to have a significant influence on the dependent variable. All statistical analyses were performed using IBM SPSS 26 for Windows, ensuring the accuracy and consistency of the findings.

4. RESULT AND DISCUSSION

4.1 Data Result

4.1.1. Overview of Research Object

The objects in this study are property and real estate companies listed on the Indonesia Stock Exchange (IDX) from 2022 to 2024. The research population consists of 92 property and real estate companies listed on the IDX from 2022 to 2024. The researcher selected the research sample based on predetermined criteria, resulting in a final sample of 64 companies and a total of 192 data points.

4.1.2. Classical Assumption Test

The normality test seeks to ascertain if both the dependent and independent variables in the regression model have a normal distribution. The outcomes of the normalcy assessment are presented in Table 1.

Table 1. Normality Test Result

		Unstandardized Residual
N		192
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	7214.76838432
Most Extreme Differences	Absolute	.054
	Positive	.043
	Negative	-.054
Test Statistic		.054
Asymp. Sig. (2-tailed)		.200[c,d]

Source: Data processed, 2025

The normality test was conducted to determine whether the residuals in the regression model are normally distributed. The results show an Asymp. Sig. (2-tailed) value of 0.200, which exceeds the significance threshold of 0.05. This indicates that the residuals are normally distributed, fulfilling one of the key assumptions for linear regression. The normal distribution of residuals ensures that the statistical inferences drawn from the regression model are valid and unbiased.

The multicollinearity test seeks to ascertain whether the regression method identifies a link among independent variables. The findings are presented in Table 2.

Table 2. Multicollinearity Test Result

		Collinearity Statistics	
Model		Tolerance	VIF
1	Liquidity	.993	1.007
	Foreign Ownership	.993	1.007

Source: Data processed, 2025

The multicollinearity test was carried out to identify potential correlations between independent variables. The tolerance values for both liquidity (0.993) and foreign ownership (0.993) are greater than 0.10, and the corresponding VIF values (1.007) are below the critical threshold of 10. These results indicate that multicollinearity is not present in the regression model. Thus, liquidity and foreign ownership can be treated as independent predictors, and their estimated effects on financial performance are not distorted by intercorrelations.

The heteroscedasticity test evaluates whether the regression model exhibits variance and residuals that differ across observations. The findings are presented in Table 3.

Table 3. Heteroscedasticity Test Result

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	372508456.798	35947183.568		10.363	.000
Liquidity	.001	.013	.006	.079	.937
FO	-.115	.179	-.047	-.645	.520

Source: Data processed, 2025

The heteroscedasticity test was performed to assess whether the variance of residuals is constant across observations. The results reveal significance values greater than 0.05 for both independent variables (liquidity = 0.937; foreign ownership = 0.520). This suggests that the residual variance is consistent and free from heteroscedasticity. In other words, the regression model satisfies the assumption of homoscedasticity, ensuring that the estimated coefficients remain efficient and unbiased.

The autocorrelation test examines the association between the disturbance error at time t and the disturbance error at time t-1 in the linear regression model. Table 4 presents the outcomes of the autocorrelation test.

Table 4. Autocorrelation Test Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.416[a]	.173	.164	35.812	1.950

a. Predictors: (Constant), Liquidity, Foreign Ownership
b. Dependent Variable: Return on Asset
Source: Data processed, 2025

The autocorrelation test was used to examine whether the residuals are correlated across time. The Durbin–Watson (DW) statistic obtained is 1.950, which lies between the lower and upper critical bounds ($du < DW < 4 - du$). This indicates that the model does not exhibit either positive or negative autocorrelation. The absence of autocorrelation confirms that the residuals are independent over time, thereby meeting another essential assumption of classical regression analysis.

4.1.3.Multiple Linear Regression Analysis

The multiple linear regression equation can be seen from the SPSS output results shown in the unstandardised coefficients table in section B. The constant value is the value of the regression coefficient. Table 5 presents the outcomes of the multiple linear regression analysis.

Table 5. Multiple Linear Regression Result

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	-2559683.742	4045980.168		-.633	.528
Liquidity	.007	.001	.382	5.755	.000
FO	.030	.014	.142	2.147	.033

a. Dependent Variable: Return on Asset
Source: Data processed, 2025

Based on Table 5, column B of Unstandardised Coefficients shows the values and effects of each research variable, which will then be entered into the research regression equation formula. The multiple linear regression equation formula is as follows:

$Y = \alpha + \beta 1\ X1 + \beta 2\ X2$

Return on Asset (ROA) = -2559683.742 + 0,007 X1 + 0,030 X2

The results of the regression analysis indicate that liquidity has a positive coefficient of 0.007 with a significance value of 0.000. This finding implies that for every one-unit increase in liquidity, financial performance as measured by ROA will increase by 0.007, holding other factors constant. Such a relationship demonstrates that firms with stronger liquidity positions are more capable of sustaining operations, fulfilling short-term obligations, and ultimately enhancing profitability. Liquidity, therefore, not only ensures operational stability but also signals financial discipline to creditors and investors, thereby improving a firm's access to external financing and strengthening its overall resilience in a volatile business environment.

Foreign ownership also exhibits a positive and significant coefficient of 0.030 with a p-value of 0.033, suggesting that a higher proportion of foreign equity is associated with improved financial performance. This result underscores the role of international investors as active contributors to firm value, not merely as providers of capital. Foreign shareholders often demand higher governance standards, implement stricter monitoring mechanisms, and introduce advanced managerial practices, all of which encourage greater efficiency and accountability. In the Indonesian property sector, which is capital-intensive and exposed to considerable financial risk, foreign ownership enhances not only access to global sources of funding but also corporate credibility in the eyes of domestic stakeholders.

4.1.4.ANOVA F Test

The F-test is employed to evaluate whether all independent variables in the regression model collectively exert a significant influence on the dependent variable. In this study, the level of significance is set at 5% ($\alpha = 0.05$). The null hypothesis posits that the independent variables, taken together, have no significant effect on the dependent variable. Conversely, the alternative hypothesis suggests that the independent variables jointly and significantly affect the dependent variable. Acceptance of hypothesis therefore indicates that the model as a whole is statistically meaningful and capable of explaining variations in the dependent variable.

Table 6. F Test Result

ANOVA[a] Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.079	2	2.540	19.802	.000[b]
	Residual	2.424	189	12.825		
	Total	2.932	191			

a. Dependent Variable: Return on Asset
b. Predictors: (Constant), Liquidity, Foreign Ownership
Source: Data processed, 2025

The results of the ANOVA test indicate an F-statistic of 19.802 with a significance value of 0.000 ($p < 0.05$). This outcome demonstrates that the regression model is statistically significant, implying that the independent variables jointly exert a meaningful influence on the dependent variable. In other words, the combination of explanatory variables incorporated into the model contributes to explaining the variation in the dependent variable. However, the explanatory power of the model remains relatively modest, as reflected in the coefficient of determination, suggesting that while the predictors are jointly significant, a considerable portion of the variance in financial performance is driven by other factors not captured in the model.

4.1.5.Coefficient of Determination (R^2)

The coefficient of determination (R^2) test is conducted to evaluate the extent to which the model is able to explain the variation in the dependent variable. Researchers can assess the level of influence by referring to the R^2 value generated from the SPSS output. The coefficient of determination ranges between zero and one. A value of R^2 closer to 1 indicates that the independent variables have a stronger ability to explain the dependent variable. Conversely, a lower R^2 value suggests that the explanatory power of the independent variables is weaker.

Table 7. Coefficient Determination Test Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.416[a]	.173	.164	35.812	1.950

a. Predictors: (Constant), Liquidity, Foreign Ownership
b. Dependent Variable: Return on Asset
Source: Data processed, 2025

The model summary test results indicate that the multiple correlation coefficient (R) is 0.416, suggesting a positive and moderate relationship between the independent and dependent variables. The coefficient of determination (R Square) of 0.173 shows that Foreign Ownership (FO) and Current Ratio (CR) together account for only 17.3% of the variation in the dependent variable, while the remaining 82.7% is influenced by factors outside the model. The Adjusted R Square value of 0.164 confirms that, after adjustment, the model remains stable in explaining the dependent variable. However, the relatively large Standard Error of the Estimate reflects a high level of prediction error. Overall, the model is statistically significant, but the explanatory power of the independent variables on the dependent variable remains limited.

4.1.6.Hypothesis Test (T test)

The statistical t-test effectively demonstrates the extent to which a single independent variable accounts for the variation in the dependent variable. This study will examine the significant value, positing that the hypothesis is accepted if the significance is less than alpha (0.05), and rejected if the significance value exceeds alpha (0.05).

Table 8. T Test Result

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	-2559683.742	4045980.168		-.633	.528
Liquidity	.007	.001	.382	5.755	.000
FO	.030	.014	.142	2.147	.033

a. Dependent Variable: Return on Asset
Source: Data processed, 2025

The results of the partial hypothesis testing using the t-test provide further insights into the individual contributions of liquidity and foreign ownership toward financial performance. The regression output shows that liquidity, as measured by the current ratio, has a coefficient value of 0.007 with a significance level of 0.000 ($p < 0.05$). This indicates that liquidity exerts a positive and statistically significant effect on ROA, thereby supporting H1. In practical terms, this finding confirms that firms with stronger liquidity positions are more capable of meeting short-term obligations, reducing financial distress, and securing external financing at more favorable terms. Such conditions enhance operational continuity and ultimately contribute to higher profitability, particularly in capital-intensive sectors such as property and real estate.

Foreign ownership also demonstrates a significant effect on financial performance, with a coefficient of 0.030 and a significance level of 0.033 ($p < 0.05$). This result validates H2, showing that greater foreign investor participation contributes positively to corporate profitability. Foreign shareholders are often associated with the imposition of stricter monitoring mechanisms, enhanced transparency, and the adoption of international governance standards. These elements reduce agency costs and ensure that managerial actions are more closely aligned with shareholder interests. In the Indonesian property sector, this finding highlights the importance of foreign equity not only as a source of capital but also as a governance tool that improves credibility, efficiency, and long-term sustainability.

Collectively, the hypothesis test results confirm that both liquidity and foreign ownership significantly and favorably affect financial performance. While the explanatory power of the model is limited, the evidence suggests that these two variables function as critical determinants in shaping corporate outcomes within the Indonesian property and real estate sector during the post-pandemic recovery period.

4.2 Discussion

4.2.1. The Influence of Liquidity on Financial Perfomance

The results of this study confirm that liquidity exerts a positive and significant influence on financial performance, highlighting the importance of maintaining sufficient current assets to meet short-term obligations. The results of this study are in line with the research of Cahyani et al. (2024), Dewi et al. (2024) and Nam & Tuyen (2024) indicate that firms with greater liquidity typically exhibit superior financial performance. Firms with stronger liquidity are better able to pay debts on time, which in turn builds creditor confidence and secures easier access to external financing. This is crucial in the property and real estate sector, where projects are capital intensive and often span multiple years, requiring continuous financing for land acquisition, construction, and marketing. A high current ratio therefore reflects not only financial stability but also strategic capacity, as companies with adequate liquidity are more resilient to external shocks and better positioned to seize investment opportunities that can enhance profitability (Dewi et al. (2024).

Viewed through the lens of agency theory, liquidity plays a governance role by reducing agency conflicts between managers (agents) and shareholders (principals). Adequate liquidity provides managers with flexibility to meet obligations without resorting to practices that could erode shareholder value, such as delaying projects or cutting investments. In this sense, liquidity acts as a monitoring mechanism: it signals transparency, financial discipline, and a reduced likelihood of opportunistic behavior, thereby aligning managerial actions with shareholder interests. In addition, in the post-pandemic recovery period (2022–2024), marked by global inflationary pressures and interest rate fluctuations, companies with higher liquidity were better able to maintain stability, mitigate financial distress, and continue operations despite an uncertain external environment.

The results of this study are not in line with Imronudin et al. (2022), Nuryanti & Suryandani (2025) and Pambelum et al. (2023), who state that liquidity does not affect financial performance. This inconsistency may be explained by differences in industrial and temporal contexts. In industries that rely more heavily on debt financing, liquidity ratios may not directly translate into profitability, as external funds substitute for internal liquidity. By contrast, the property sector during the 2022–2024 recovery required firms to demonstrate stronger liquidity positions to withstand volatile market conditions and secure investor trust. Thus, liquidity appears to have a more strategic role in shaping performance outcomes in capital-intensive sectors facing heightened uncertainty.

From a practical perspective, these findings suggest that managers must prioritize robust liquidity management practices (such as efficient working capital control, accelerated receivables collection, and maintaining optimal cash reserves) to safeguard operational continuity and reduce financing risks. Policymakers, in turn, should strengthen regulatory frameworks and financial infrastructure that enable firms to access short-term capital markets and credit facilities, thereby ensuring that liquidity remains a reliable determinant of financial performance across the property and real estate sector.

4.2.2. The Influence of Foreign Ownership on Financial Perfomance

The findings of this study show that foreign ownership has a positive and significant effect on financial performance, underscoring the role of international investors as more than just capital providers. The results of this study are in line with the research of Putri & Setiawan (2023), Perkasa & Kurniawan (2025) and Upinius & Yusnita (2025) indicate that foreign ownership have a positive effect on firm performance which is proxied using Return on Asset (ROA). Foreign shareholders typically bring with them higher standards of governance, stricter monitoring mechanisms, and advanced managerial practices, which collectively encourage greater efficiency and accountability in corporate decision-making. In the property and real estate sector, where projects require long-term financing and involve considerable risks, the presence of foreign investors signals legitimacy and financial credibility. This not only facilitates access to global funding sources but also enhances stakeholder confidence, both from domestic creditors and from consumers who perceive firms with foreign backing as more professional and reliable (Perkasa & Kurniawan (2025).

From a theoretical perspective, these results reinforce the predictions of agency theory, which suggests that external principals can reduce agency conflicts by exerting stronger oversight over managers (Upinius & Yusnita, 2025). By demanding transparent reporting, implementing global governance standards, and pressuring managers to focus on long-term profitability, foreign ownership effectively mitigates information asymmetry between management and shareholders. This is particularly relevant in the post-pandemic period (2022–2024), when heightened uncertainty increased the need for disciplined financial management. Firms with greater foreign participation were better able to adopt innovative strategies, maintain operational discipline, and align managerial actions with shareholder interests, thereby improving return on assets.

The results of this study are not in line with Kurniawati et al. (2025), Novananda (2024), and Setiawan & Kurniawati (2023), who state that foreign ownership in the companies observed tends to be passive and does not yet play a strategic role in decision-making. This inconsistency may be explained by differences in investor behavior across contexts. In some industries, foreign investors may act as portfolio holders rather than active participants, limiting their ability to affect internal decision-making. In contrast, the property sector during the recovery phase appears to have attracted more engaged foreign investors, who sought to safeguard returns by imposing stricter governance standards in response to volatile market conditions. This suggests that the impact of foreign ownership is contingent not only on the proportion of shares held but also on the level of involvement and monitoring exerted by foreign stakeholders.

In practical terms, the findings highlight the importance for managers to foster strategic partnerships with foreign investors and to leverage their expertise in governance, risk management, and long-term strategic planning. Companies should also ensure transparent communication and compliance with international reporting standards to strengthen trust and attract further foreign participation. For policymakers, the results underscore the need to maintain an investment climate that is attractive and secure for foreign shareholders while also ensuring that foreign involvement contributes meaningfully to the development of Indonesia’s property sector rather than remaining purely financial in nature.

5. CONCLUSION

This study concludes that liquidity and foreign ownership both exert a positive and significant influence on the financial performance of property and real estate companies listed on the Indonesia Stock Exchange during 2022–2024. Liquidity strengthens firms’ ability to meet short-term obligations, sustain operations, and support long-term projects in an industry characterized by high capital intensity and extended investment cycles. Foreign ownership, meanwhile, enhances performance by contributing not only capital but also stricter monitoring, international governance standards, and valuable knowledge transfer, thereby compelling managers to improve efficiency, transparency, and accountability.

Theoretically, these findings reaffirm agency theory by showing how both liquidity and foreign ownership can reduce information asymmetry and mitigate agency conflicts. More importantly, the study extends this theory to the context of emerging markets and capital-intensive industries, demonstrating that financial discipline and global investor engagement are critical in post-crisis recovery periods. Practically, the results highlight the importance for managers to adopt prudent liquidity management and to build strategic partnerships with foreign investors, while policymakers are encouraged to create a regulatory environment that supports access to financing and sustains investor confidence.

Despite these contributions, the study is limited by its reliance on a single theoretical lens and secondary financial data, which may overlook non-financial and governance-related factors influencing performance. Future research could incorporate alternative perspectives such as institutional theory or the resource-based view, and compare the roles of active versus passive foreign investors in shaping performance outcomes. Expanding the analysis across sectors or extending the time horizon would also provide a more comprehensive understanding of how liquidity and foreign ownership interact to influence corporate resilience and competitiveness.

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