GOLDEN RATIO OF FINANCE MANAGEMENT
VOLUME 5, ISSUE. 2 (2025)
Website: https://goldenratio.id/index.php/grfm

GOLDEN RATIO
ISSN [Online]: 2776-6780

FINANCE | RESEARCH ARTICLE

Influence of Operational Costs, Company Size, and Operational Leverage on Property & Real Estate Sector Profitability Listed on the Indonesia Stock Exchange

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ARTICLE HISTORY

Received: January 15, 2025
Revised: July 01, 2025
Accepted: July 20, 2025

DOI
https://doi.org/10.52970/grfm.v5i2.1008

ABSTRACT
A company's profitability is one of the key indicators in assessing financial performance, which can attract investor interest and influence strategic decision-making. This study examines and analyzes the influence of operating costs, company size, and operating leverage on the profitability of property and real estate sector companies listed on the Indonesia Stock Exchange (IDX). The research population consists of 92 companies, and a purposive sampling technique resulted in 20 companies being selected as the sample. Data analysis was conducted using the Structural Equation Modeling-Partial Least Squares (SEM-PLS) method through SmartPLS 3.0 software. The study's results indicate that increased operating leverage improves profitability in the property and real estate sector listed on the Indonesia Stock Exchange (IDX), while higher operating costs negatively impact profitability. However, company size does not contribute to profitability. This research is expected to assist property and real estate companies utilize resources (assets) to enhance profitability. Future researchers should consider other variables, such as capital structure, liquidity levels, or dividend policy, to broaden the understanding of corporate profitability factors and explore potential regional variations in the property and real estate sector.

Keywords: Operating Cost, Company Size, Operating Leverage, Profitability.
JEL Code: L85, G32.

I. Introduction

A deep understanding of a company's financial performance is crucial in the competitive business world, Imelda & Amalya (2024). Key aspects of assessing a company's performance can be reviewed regarding capital adequacy, liquidity, and profitability (Cahyaningwandini, 2024). Profitability reflects how efficiently a company generates profits and broadly illustrates its future growth prospects (Ruslaini & Sulistiani, 2010). This makes profitability a critical tool for stakeholders to evaluate the company's performance and potential before making decisions (Parros et al., 2024).

Profitability is one of the financial performance measurements, defined as the company's ability to generate profit using its resources, such as assets, equity, sales, and others (Supriandi & Masela, 2023). The profit earned reflects the company's performance and results from various transactions carried out during the

GOLDEN RATIO
ISSN [Online]: 2776-6780

period. For stakeholders, profit is a key indicator in assessing management's effectiveness in managing the company's resources (Putri et al., 2019). According to Halim (2024), a company's success in achieving profitability can be measured through profitability ratio analysis, which also provides insights into its ability to maintain and strengthen its financial position. Moreover, profitability signifies the company's financial health and is a benchmark for competitiveness and sustainability in the industry, making it an essential focus for internal and external decision-makers.

Indonesia's property and real estate sector has experienced fluctuating profitability trends over the past five years. This volatility is primarily attributed to external factors, such as the COVID-19 pandemic 2020, which significantly impacted market demand and investment flows. Simanjuntak (2023) supports the statement that the COVID-19 virus negatively influenced the profitability of companies in this sector. However, in 2021, the sector's profitability began to show signs of recovery in line with the increase in economic activities during the post-pandemic era. This recovery was supported by the gradual reopening of businesses, rising consumer confidence, and renewed investment interest in the property and real estate market. A more precise depiction of the sector's profitability trends over this period is presented in Table 1.

Table 1. The Profitability Condition of Property and Real Estate Sector Companies in Indonesia from 2019 to 2023

Company Code	2019	2020	2021	2022	2023
APLN	0,032	0,036	-0,114	0,262	0,249
TARA	0,047	1,407	0,448	-1,126	-0,740
ASRI	0,291	-0,733	0,050	0,244	0,161
NASA	-0,041	-9,914	-1,165	-0,020	0,425
ELTY	-0,838	-0,530	-0,349	-0,769	-0,882
BEST	0,400	-0,475	-0,309	0,062	0,073
PAMG	0,077	-0,131	-0,223	-0,058	0,008
BIKA	-0,209	-0,771	0,376	-0,353	-0,164
POSA	-2,046	-2,281	-2,626	-2,043	-2,552
BCIP	0,177	0,178	0,002	0,182	0,183

Based on Table 1, it is explained that the profitability of companies in the property and real estate sector experienced a decline in 2019-2020, while in 2021-2022, there was an increase in profitability, signaling a recovery in this sector. Out of 27 companies, 17 experienced improvements, triggered by lifting social restrictions officially declared by President Joko Widodo, which reduced public concerns about outdoor activities (Anggoro, 2022). The study by Hikmah et al. (2023) links the decline in profitability to economic uncertainty, which reduced public interest in property during the pandemic. However, 2021-2022 showed a positive trend, as depicted in Figure 1.

This study focuses on Indonesia's property and real estate sector, vital to national economic growth. Understanding the profitability determinants of this sector is essential, given its susceptibility to macroeconomic changes, regulatory policies, and consumer behavior shifts. The following sections will explore key factors influencing profitability, particularly operational costs, company size, and leverage. Profitability can be measured using various indicators, including Gross Profit Margin (GPM), Net Profit Margin (NPM), Return on Assets (ROA), Return on Equity (ROE), and others (Sari & Desitama, 2024). Factors influencing profitability include quality and operating costs (Luayyi et al., 2023). According to Okviana et al. (2023), liquidity and company size are identified as variables that influence profitability. Meanwhile, Puspitasari et al. (2020) state that financial and operating leverage affect profitability.

Operating costs are one of the crucial internal factors affecting a company's profitability. They encompass all expenditures necessary for conducting the operational activities of a company, such as production, distribution, marketing, and administrative costs (Winda & Sari, 2023). Efficient management of operating costs can help companies improve profit margins (Widodo et al., 2020). Conversely, poorly managed operating costs will reduce the company's profits. Companies can calculate operating costs by summing up

ISSN [Online]: 2776-6780

sales costs and administrative and general expenses (Dewanti et al., 2023). Thus, cost efficiency strategies are imperative for businesses in this sector to enhance profitability and financial resilience.

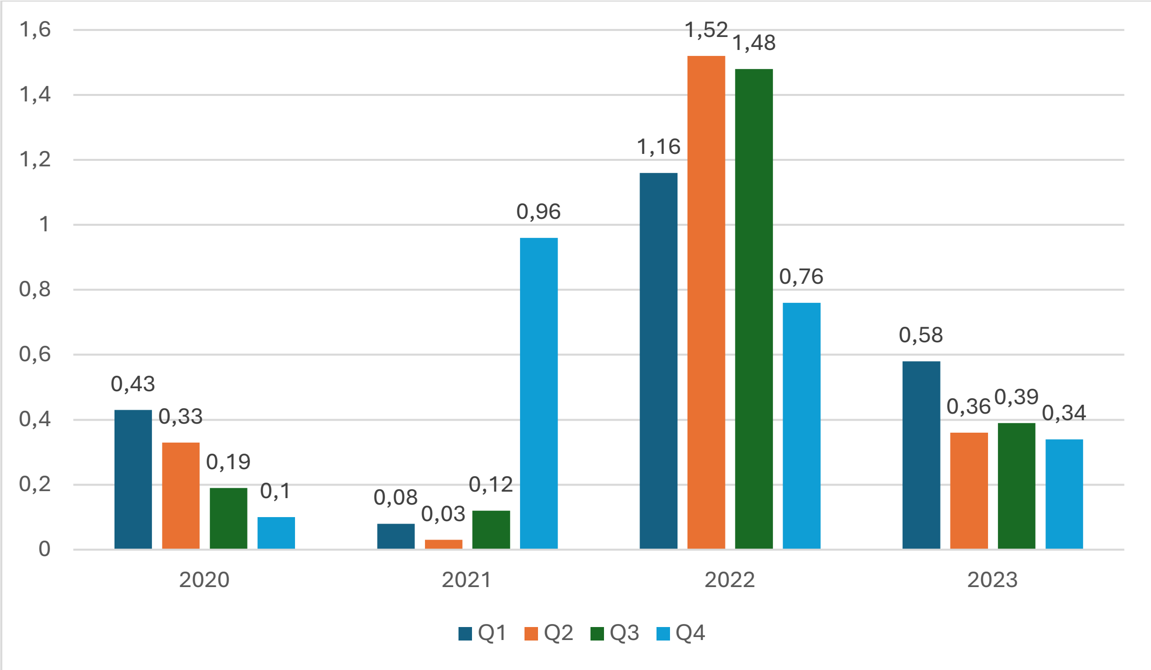

Figure 1. Annual Growth of Property Demand Index in Indonesia

Several studies have revealed the influence of operational costs on profitability. Research conducted by Masorong et al. (2023) found that high operational costs negatively influenced profitability due to the suboptimal management of funds at PDAM Tirta Dharma, Bengkulu Regency. A study by Abdulkareem et al. (2021) showed that operational costs significantly affected profitability because they were managed optimally at a chemical sector company in India. In contrast, Fitriani (2022) found that operational costs did not influence profitability.

Another factor, aside from operational costs, is company size, which plays a crucial role in assessing a company's performance and potential. Company size refers to the scale of a company, which can be measured based on capital, total assets, and revenue (Subandi & Bagana, 2024). Larger companies contribute more to profitability than small or medium-sized companies (Arnawa, 2020). On the other hand, small companies face limitations in resources and scalability, which can constrain their ability to increase profitability significantly (Prasetiya & Suwarno, 2024). Consequently, strategic business expansion and asset utilization become essential considerations for firms aiming to sustain competitive advantage.

The research by Riyana et al. (2024) indicates that firm size positively and significantly affects the profitability of food and beverage companies listed on the Indonesia Stock Exchange (BEI). A similar result was found in the study by Qur'ani & Purwaningsih (2022), where firm size significantly influenced manufacturing companies' profitability. On the other hand, the study by Nurvitasari & Hartono (2023) found that firm size did not significantly affect the profitability of retail companies in the trade, investment, and service sectors. The research by Goso (2022) showed the same result, where firm size did not affect the profitability of Bank Sulselbar from 2015 to 2017. Another internal factor influencing profitability is operating leverage, which measures the utilization of assets through a substantial amount of fixed costs (Agustin et al., 2020). High operating leverage indicates that a company uses many assets to generate revenue, which can increase profitability (Agustin et al., 2020). Conversely, low operating leverage suggests that the company uses fewer assets to generate revenue, leading to lower profitability (Puspita & Juliarsa, 2020). As operating leverage directly impacts cost efficiency and financial flexibility, its optimization is crucial for companies operating in capital-intensive industries like property and real estate. This research examines the influence of operational

ISSN [Online]: 2776-6780

costs, company size, and operating leverage on Indonesia's property and real estate sector profitability from 2019 to 2023. By focusing on this sector, the study seeks to bridge gaps in existing literature and provide empirical insights into key financial determinants that impact business sustainability and growth.

Meero et al. (2021) revealed that operational leverage does not significantly affect the profitability of three companies in Bahrain. This lack of influence is attributed to the relatively stable cost structure during the study period and the absence of new investments by the companies. A similar result was reported by Setiawan et al. (2019), where the degree of operating leverage (DOL) did not influence Return on Equity (ROE) at PT. Waskita Karya (Persero) Tbk. Conversely, in the study by Putra & Kadang (2020), DOL significantly impacted profitability in food and beverage companies listed on the Indonesia Stock Exchange (BEI). Several differences were found based on profitability fluctuations and the previous studies presented. These differences include the research results and the objects of study, such as operational costs, firm size, and the effect of operational leverage on profitability in prior studies. Therefore, the researcher intends to re-examine these factors by conducting a study titled "The Influence of Operational Costs, Firm Size, and Operational Leverage on the Profitability of Companies in the Property & Real Estate Sector Listed on the Indonesia Stock Exchange (Case Study 2019-2023).

This research aims to provide a deeper understanding of how these variables affect the profitability of property and real estate companies in Indonesia, which may differ due to the industry's dynamic nature and economic conditions. By focusing on this specific sector, the study seeks to bridge the gap in the literature and offer insights into the unique characteristics and challenges that affect profitability in the Indonesian property market. Additionally, the study will contribute to the broader understanding of how operational strategies, firm characteristics, and economic factors influence financial performance in a developing market.

II. Literature Review and Hypothesis Development

2.1. Signaling Theory

Signaling Theory, introduced by Spence (1973), posits that informants attempt to convey information to relevant parties (Amanda et al., 2019). This theory highlights that actions taken by individuals contain significant information due to information asymmetry between parties (Abadi, 2022). Management typically holds accurate information about a company's current condition. Therefore, management strives to maximize information delivery to minimize information asymmetry (Hafidh & Priono, 2022). By reducing information asymmetry, companies can enhance investor confidence, improve decision-making, and create a more transparent environment. This theory also underscores the importance of financial reports, dividend announcements, and strategic decisions, which can influence stakeholders' perceptions and trust in the company (Susetyo et al., 2021). Thus, signaling becomes a strategic tool for companies to communicate their value and potential to the market effectively. The theory emphasizes that a company's operational reports serve as a communication tool for management to send signals to external parties regarding the company's financial condition (Okte & Hasanah, 2023). According to Fauziah & Sudiyatno (2020), signaling theory suggests that company management uses operational reports to convey insights about the company's state and performance, which external parties can reference in decision-making. This theory also distinguishes between companies with strong potential and those without (Arianti & Yatiningrum, 2022). Furthermore, operational reports that provide precise and reliable information can help companies build credibility and attract investment, proving the company's financial health and strategic direction. The differentiation highlighted by signaling theory enables investors to identify and prioritize companies with robust prospects, thereby fostering efficient capital allocation and market growth.

ISSN [Online]: 2776-6780

2.2. Profitability

Profitability measures a company's ability to generate profit from its operations, serving as a key financial performance indicator (Supriandi & Masela, 2023). It provides insights for investors and management regarding a company's prospects. According to Senduk et al. (2023), profitability is measured relative to assets or equity, while Setiowati et al. (2023) define it as the outcome of corporate policies and decisions. Lestari & Wulandari (2019) highlight profitability as an indicator of management efficiency in utilizing resources. Several key ratios are used to assess profitability, including Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE). NPM reflects the percentage of net profit derived after deducting expenses relative to sales (Oktaviani et al., 2023). ROA evaluates how efficiently a company utilizes its assets to generate profit (Firdaus et al., 2021). ROE measures a company's ability to generate profit from its shareholders' equity, indicating how effectively investments are turned into earnings (Pasigai & Adzim, 2019). Understanding these profitability ratios is crucial for evaluating a company's financial performance. External factors such as market conditions, government policies, and internal elements like cost efficiency and management strategy significantly influence profitability in the property sector (Simanjuntak, 2023).

2.3. Influence of operating cost on profitability

Operating costs play a crucial role in determining a company's profitability. Effective cost management enhances profit margins, whereas uncontrolled expenses can erode profitability despite revenue growth (Abdulkareem et al., 2021; Aisah & Susetyo, 2021). From the signaling theory perspective, cost efficiency conveys financial stability to investors, strengthening confidence in future profitability, whereas high costs may indicate financial distress (Masorong et al., 2023; Rahma & Ruzikna, 2024). Beyond managerial competence, operational cost efficiency is a strategic approach to ensuring financial sustainability (Rismasari, 2022; Pratama et al., 2021). By optimizing expenditures, companies can allocate resources more effectively, fostering long-term growth and financial stability (Febryanti & Nurcholisah, 2021).

2.4. Influence of firm size on profitability

Firm size significantly influences profitability, particularly in banking and manufacturing industries, where larger firms benefit from economies of scale, market reach, and stronger negotiation power (Riyana et al., 2024; Qur'ani & Purwaningsih, 2022). However, high operational costs can offset these advantages, making efficiency crucial for sustaining profitability (Lageni et al., 2023). According to signaling theory, firm size conveys financial stability to investors, enhancing trust and confidence in growth potential, while smaller firms may face higher perceived risks (Nurvitasari & Hartono, 2023; Goso, 2022). Despite their advantages, large firms must maintain strategic agility to optimize their size for profitability in competitive environments. Effective asset management remains a key factor in ensuring long-term financial success across firms of all sizes (Arnawa, 2020; Riyana et al., 2024).

2.5. Influence of operating leverage on profitability

Operating leverage plays a critical role in determining profitability by magnifying the impact of sales fluctuations on earnings. Proper management enhances profit margins, while excessive reliance on fixed costs increases financial vulnerability (Meero et al., 2021; Putra & Kadang, 2020). From a signaling theory perspective, well-managed operating leverage signals financial stability to investors, reinforcing confidence in future profitability (Setiawan et al., 2019; Manggale & Widyawati, 2021). However, firms with high operating leverage must carefully balance fixed costs and revenue streams to sustain financial health and maintain a competitive edge (Yunus, 2020; Agustin et al., 2020; Puspita & Juliarsa, 2020). Effectively optimizing operational leverage ensures long-term financial stability and resilience in dynamic market conditions.

H1: Operational costs hurt the profitability of property and real estate companies listed on the Indonesia Stock Exchange for 2019–2023.

H2: Firm size positively affects the profitability of property and real estate companies listed on the Indonesia Stock Exchange for 2019–2023.

H3: Operational leverage hurts the profitability of property and real estate companies listed on the Indonesia Stock Exchange for the period 2019–2023

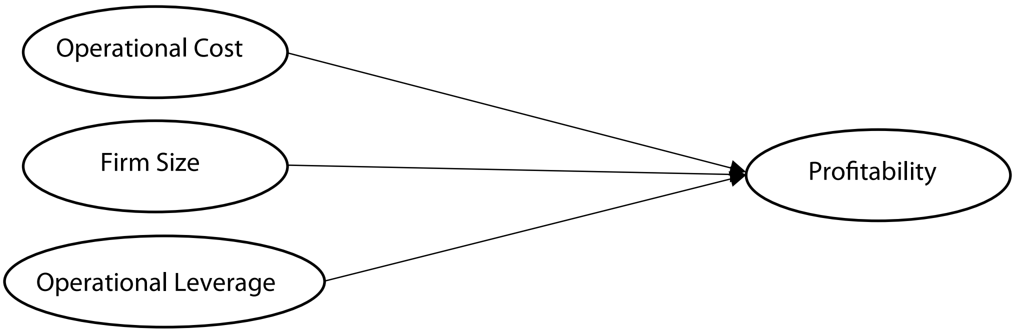

Figure 2. Conceptual Framework

III. Research Method

This study employs a quantitative research design with a descriptive and causal approach to analyze the impact of operational costs, firm size, and operational leverage on profitability. The research focuses on property and real estate companies listed on the Indonesia Stock Exchange, using financial statement data from 20 companies selected through purposive sampling. This study addresses gaps in the literature by clarifying the mixed findings on these variables' effects on profitability. Prior research shows conflicting results on the influence of operational costs and firm size, while studies on operational leverage in this sector remain limited. Using Net Profit Margin (NPM) as the profitability measure, this research provides empirical insights to enhance understanding of financial performance in Indonesia's property and real estate sector. Net Profit Margin (NPM) is a ratio that compares net profit after interest and taxes to total sales, as defined by Firdaus et al. (2021), and can be expressed using the formula:

3.1. Operational Cost-to-Income Ratio (OCOR)

$$\text{OCOR} = \frac{\text{Operational Cost}}{\text{Operational Revenue}}$$

Operational costs in this study are calculated using the Operational Cost-to-Income Ratio. (Kismanah et al., 2022).

3.2. Firm Size

$$\text{Firm Size} = \ln(\text{assets})$$

Firm size in this study is determined by calculating the total assets recorded in the company's annual financial statements. (Sustiyatik & Jauhari, 2021).

ISSN [Online]: 2776-6780

3.3. Operational Leverage (DOL)

$$\text{DOL} = \frac{\%\text{Change in Operaing Income (EBIT)}}{\%\text{Change in Sales}}$$

This study calculates operational leverage using the degree of operating leverage. (Ramadani et al., 2023).

The data collection technique used in this study is the documentation method, utilizing secondary data from the company's financial statements. The data analysis method this research applies is Structural Equation Modeling-Partial Least Squares (SEM-PLS) using the SmartPLS 3.0 application. This method includes testing the outer model for indicator validity and reliability, the inner model to examine structural relationships between variables, and hypothesis testing using t-statistic and p-value values.

IV. Results and Discussion

4.1. Descriptive Statistics

Descriptive statistics are used to analyze data by providing an overview or summary of the data based on mean, maximum, minimum, and standard deviation values. The results of the descriptive statistics are shown in Table 2 below:

Table 2. Descriptive Statistics

	N	Min	Max	Mean	Standard Deviation
Operational Cost	100	0,002	1,420	0,215	0,193
Firm Size	100	-0,381	1,350	0,225	0,222
Operational Leverage	100	-1,290	1,920	0,347	0,569
Profitability	100	-0,840	0,900	0,103	0,313

4.2. Outer Model Testing

4.2.1. Convergent Validity

Based on the PLS algorithm calculations, the results for convergent validity are presented in Table 3. The test shows that all indicators meet the minimum threshold and are considered valid, as indicated by outer loadings values > 0.7. The following figure displays the results of the outer loadings test using SmartPLS 3.0.

Table 3. Results of Convergent Validity Testing (Outer Loadings)

Variable	**Outer Loading Value**	**Result**
Operational Cost (X_1)	1.000	Valid
Firm Size (X_2)	1.000	
Operational Leverage (X_3)	1.000	
Profitability (Y)	1.000	

4.2.2. Discriminant Validity

The results for discriminant validity testing are shown in Table 3. The analysis confirms that all constructs meet the criteria with a minimum cross-loading value of 0.7. The Fornell-Larcker criterion, which uses the square root of AVE as an indicator, is also applied to assess discriminant validity. Each latent variable must have a higher square root of the AVE value compared to its correlations with other variables. Table 4 provides the data processing results, showing that each construct satisfies the criteria. Therefore, the conducted tests validly measure the variables used, and all derived data can be considered valid.

GOLDEN RATIO
ISSN [Online]: 2776-6780

Table 4. Results of Discriminant Validity Testing (Cross Loading)

	X_1	X_2	X_3	Y
Operational Cost (X_1)	1,000	0,910	-0,075	-0,045
Firm Size (X_2)	0,910	1,000	-0,012	0,116
Operational Leverage (X_3)	-0,075	-0,012	1,000	0,153
Profitability (Y)	-0,045	0,116	0,153	1,000

Table 5. Results of Discriminant Validity Testing (AVE)

	X_1	X_3	Y	X_2
X_1	1,000			
X_3	-0,075	1,000		
Y	-0,045	0,153	1,000	
X_2	0,910	-0,012	0,116	1,000

4.2.3. Reliability

The reliability test results are presented in Table 6. The testing meets the reliability criteria with values > 0.7, indicating that the processed data is reliable.

Table 6. Results of Reliability Testing

	Cronbach's Alpha	Composite Reliability
X_1	1	1
X_2	1	1
X_3	1	1
Y	1	1

4.3. Inner Model Testing

Inner model analysis was conducted using the R-squared value to assess the extent to which independent variables influence the dependent variable. The results of the R-Square test are presented in Table 6. The R-squared value is 0.155, which is considered weak. This indicates that operational costs, firm size, and operational leverage explain 15.5% of the variance in profitability, while the remaining 84.5% is explained by other variables not included in this study. Other variables influencing profitability include liquidity and Corporate Social Responsibility (CSR).

Table 7. Results of R-Square Testing

	R-Square	R-Square Adjusted
Profitability (Y)	0,155	0,129

4.4. Hypothesis Result

Hypothesis testing is conducted by analyzing the path coefficient to determine the significance of the relationship between independent and dependent variables and to decide whether the hypothesis is accepted or rejected. The t-statistic and p-value are used to evaluate the hypothesis results. The required criteria are t-statistic > 1.96 and p-value < 0.05 (Hardisman, 2021). The testing will be carried out using the bootstrapping procedure. The test results are presented in Figure 3.

ISSN [Online]: 2776-6780

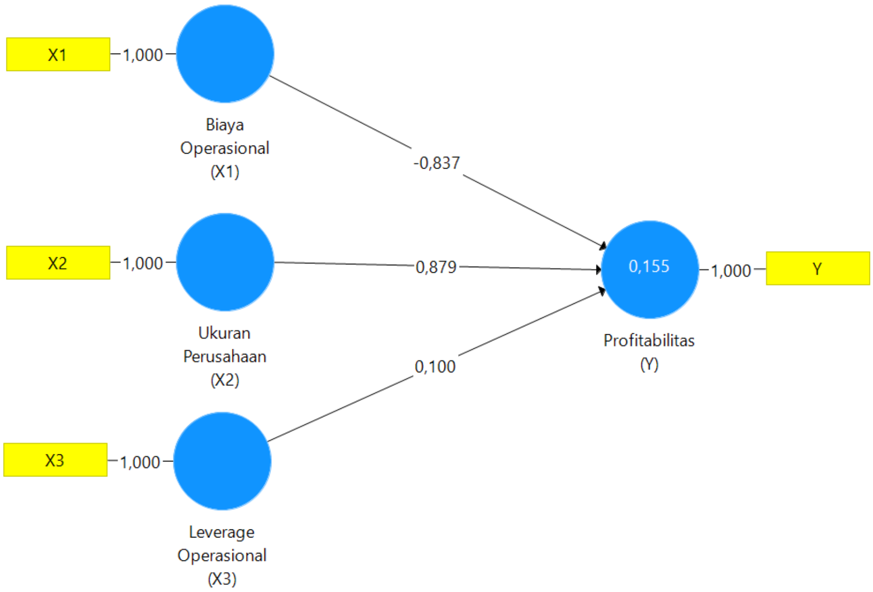

Figure 3. Bootstrapping SmartPLS

Figure 3 shows a result, which indicates that the construct has a single indicator, and therefore, the value is undefined. The results from the bootstrapping process will be used to test the influence of independent variables on the dependent variable for hypothesis testing. A hypothesis is accepted if it meets the criteria: a t-statistic value > 1.96 or a p-value < 0.05. The hypothesis testing results will be presented in Table 8.

Table 8. Hypothesis Test Results (Path Coefficient)

	Original Sample (O)	**Sample Mean (M)**	**Standard Deviation (STDEV)**	**T Statistics (|O/STDEV|)**	***P Values***
Operational Cost (X_1) → Profitability (Y)	-0,867	-0,873	0,193	4,490	0,000
Firm Size (X_2) → Profitability (Y)	0,101	0,107	0,094	1,075	0,141
Operational Leverage (X_3) → Profitability (Y)	0,909	0,923	0,169	5,371	0,000

4.4.1. The Influence of Operating Costs on Profitability in Property and Real Estate Sector Companies from 2019-2023

The research findings indicate that operating costs affect the profitability of companies in the property and real estate sector from 2019 to 2023. High operating costs can reduce the company's profit margin, while low operating costs can improve profitability. Efficient operating cost management is crucial to maintaining the company's profitability levels. According to signaling theory, efficiency signals a positive message to investors, thereby increasing their confidence to invest. On the other hand, high operating costs can send a negative signal, indicating potential difficulties for the company in maintaining profitability. This underscores the importance of cost control and the strategic allocation of resources to drive long-term profitability. Furthermore, the findings suggest that companies must adopt a comprehensive approach to cost management, including regular reviews of operational processes and the adoption of technologies that enhance productivity. Such practices can significantly enhance operational efficiency, which has a lasting Influence on profitability. By fostering an environment of continuous improvement, companies can better weather economic fluctuations and emerge as more resilient players in the market. This finding aligns with studies by Abdulkareem et al. (2021), Masorong et al. (2023), Aisyah et al. (2024), and Budhiarjo & Febriana (2022). These studies show that operating costs affect the profitability of companies. However, this result contradicts the research by Fitriani (2022), Trisnaningrum & Debataraja (2024), and Ramadhan & Amalia (2023), which states that operating costs do not have an Influence on profitability. The differences in results suggest that context and other variables may influence the relationship between operating costs and profitability.

4.4.2. The Influence of Company Size on Profitability in Property and Real Estate Sector Companies from 2019-2023

The research findings show that company size does not contribute to profitability in companies in the property and real estate sector from 2019 to 2023. Although company size is often associated with the ability to manage risks and operational efficiency, this factor does not directly affect profitability levels (Rahmadiva & Henny, 2024). Large companies do not always have higher profit margins; similarly, small companies do not always experience a decline in profitability (Amin et al., 2021). In the context of signaling theory, company size still provides important information to investors about the stability and financial prospects of the company (Marsela & Darmayanti, 2019). However, in this sector, such signals are inconsistent regarding profitability performance. This suggests that while company size may influence certain financial aspects such as access to capital or market presence, it does not automatically translate into improved profitability. It could also indicate that other factors, such as management practices, market conditions, or strategic decisions, are more critical in determining property and real estate profitability. Furthermore, the volatility in the real estate market and differing business models may cause the profitability of both large and small companies to fluctuate unpredictably, thus diminishing the relevance of size as a determinant for financial performance in this context. This finding suggests that other factors, such as operational management, market strategy, or macroeconomic conditions, have a more dominant influence on profitability. While company size is often considered in investment analysis, this factor is not the leading indicator of financial success. This result is consistent with studies by Nurvitasari & Hartono (2023), Goso (2022), and Sugianto & Meirisa (2023), which concluded that company size does not affect profitability. However, this finding differs from research by Riyana et al. (2024), Qur'ani & Purwaningsih (2022), and Mipo (2023), which shows an Influence of company size on profitability. These differences indicate the importance of considering context and other variables in profitability analysis.

4.4.3. The Effect of Operational Leverage on Profitability in Property and Real Estate Sector Companies from 2019-2023

The results of the analysis indicate that operational leverage significantly affects the profitability of companies in the property and real estate sector from 2019 to 2023. Operational leverage reflects the proportion of fixed costs in a company's cost structure, which directly affects the company's ability to generate profits (Fuad & Soewondo, 2025). Efficient management of operational leverage can improve profitability by utilizing economies of scale, while poorly managed operational leverage can reduce profit margins due to high fixed costs (Masitha & Fitriasuri, 2024). In the context of signaling theory, optimal operational leverage demonstrates operational efficiency and the ability to generate stable profits (Nirmanggi & Muslih, 2020). Conversely, poorly managed operational leverage can signal higher financial risk and reduce investor attractiveness (Pratiwi & Hendayana, 2024). These findings support the research by Putra & Kadang (2020), which concluded that operational leverage affects profitability. However, this result contradicts the studies by Meero et al. (2021) and Setiawan et al. (2019), which did not find any significant effect of operational leverage on profitability. The differences in findings suggest that operational leverage can be influenced by other factors, such as market conditions and the company's operational strategy. Efficient management of leverage remains a crucial aspect of ensuring the sustainability of profitability, as poorly managed high fixed costs can exacerbate financial challenges, especially in volatile market environments. Additionally, companies operating in sectors with fluctuating demand or uncertain economic conditions may experience a more pronounced effect of operational leverage, as fixed costs can become a burden when revenue generation is inconsistent. In contrast, firms with flexible cost structures or that diversify their operations may be less influenced by high operating leverage. Thus, the relationship between operational leverage and profitability may not be universal and could vary depending on the company's capacity to adjust its cost structure and respond to market changes effectively. This highlights the need for a nuanced approach to leveraging fixed costs in different industries and business environments.

V. Conclusion

Based on research on property and real estate companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023, reducing operating costs can potentially increase profitability. Efficient cost management improves profit margins and signals financial stability to investors. Meanwhile, firm size does not significantly contribute to profitability, indicating that financial success depends more on resource management and strategic decisions than company scale. In contrast, effective management of operational leverage enhances profitability by maintaining an optimal balance between fixed and variable costs, reducing financial risks, and optimizing financial performance, especially in favorable market conditions. These findings emphasize the importance of cost efficiency and leverage management in improving financial performance. Companies should optimize resource allocation and financial strategies to enhance profitability and investor confidence. Future research is encouraged to explore additional variables, such as capital structure, liquidity, and market demand, to provide a more comprehensive understanding of the factors influencing profitability in the property and real estate sector.

Based on the above conclusions, several recommendations can be made to various parties. For academics, it is suggested that further investigation is needed to determine how profitability is influenced by operating costs, company size, and operational leverage, and to understand how companies use signals to communicate with shareholders. Examining how external factors like market volatility, inflation rates, and government regulations interact with internal variables to shape profitability would be beneficial. Exploring the role of market conditions, industry-specific factors, and external economic variables would also provide a deeper understanding of profitability dynamics. For future researchers, it is expected that additional variables such as capital structure, product and service quality, market demand, and government policies will be included, as these may also potentially affect profitability. These factors could offer valuable insights into the broader context that shapes property and real estate profitability. Moreover, studies could explore how companies adapt to changing economic landscapes and adjust their operational strategies. Meanwhile, for companies, particularly those in the property and real estate sector, it is important to pay attention to factors such as operating costs, company size, and operational leverage in efforts to improve profitability. Companies should optimize resource allocation, manage fixed costs effectively, and strategically leverage operational leverage to improve performance. By doing so, companies can optimize their management strategies to achieve better financial performance, thereby increasing investor confidence and ensuring long-term sustainability. Furthermore, companies should regularly assess their operational strategies to adapt to market shifts, adopt innovation-driven approaches, and maintain a competitive edge in an ever-changing industry landscape.

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