FIXED ASSETS OPTIMIZATION TO INCREASE RECURRING INCOME IN THE PROPERTY AND REAL ESTATE SECTOR

Meliana Kristin Ongkowijoyo [1], Cliff Kohardinata [2]*

Affiliate:

Accounting Study Program, Faculty of Business and Management, Ciputra University Surabaya

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***Correspondence:**
ckohardinata@ciputra.ac.id

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Abstract
Background: Business actors in the property and real estate industry experienced a decline in growth despite an improvement patterns of people's purchasing power in 2022.
Purpose: The objective of this research is to empirically examine the impact of cash on hand, liabilities and fixed assets on recurring income.
Research Method: This study employed a purposive sampling technique involving 24 property and real estate corporations listed on the Indonesia Stock Exchange from 2019 to 2022, resulting in a dataset of 96 observations. Panel data regression analysis was conducted using Stata 13 software.
Findings: The study reveals that fixed assets significantly negatively impact recurring income, whereas cash on hand and liabilities exhibit no significant effects.
Originality of Research: To the best of the researchers' knowledge, no prior studies have specifically explored factors affecting recurring income in Indonesia's property and real estate sector.
Keywords: Fixed Asset; Cash on Hand; Liabilities; Recurring Income

Introduction

The property and real estate sector significantly impacts Indonesia's economy by engaging multiple industries in project execution and creating employment opportunities. In 2022, this sector was able to contribute to the GDP by 2.49%, but this figure has decreased by around 0.27% compared to last year (Central Bureau of Statistics, 2023a). On the other hand, GDP growth in Indonesia in 2022 increased by around 1.61% compared to last year (Central Bureau of Statistics, 2023b). This phenomenon defines that the pattern of people's purchasing power increased in 2022, but there was a decline in growth in the property and real estate sector due to factors such as inflation, increasing bank interest rates, and the termination of tax incentive assistance (shortened as PPN DTP) in 2022. To mitigate economic fluctuations, businesses in this sector should focus on increasing recurring income streams, which are more stable compared to non-recurring income (Hartono & Noveria, 2023).

Recurring income, characterized by its consistent and predictable nature, offers significant advantages to property companies. By diversifying revenue streams beyond one-time sales, such as through rentals, long-term leases, and property management services, companies can mitigate the risks associated with market fluctuations, enhance financial stability, and gain a competitive edge. Another advantage of recurring income is that the resources owned are greater than other companies for investment, planning, and strategic decision-making are used to encourage companies to carry out sustainable property in increasing the value of products or services, attracting more customers, and increasing their market share. Recurring income can be concluded as providing a competitive advantage and one of the main factors in sustainable property (Goodbread, 2023). As it is done by property companies in increasing recurring income to secure company income in a limited land bank risk mitigation strategy (Hoesada, 2018). However, generating and maintaining recurring income requires ongoing efforts to attract and retain customers in a highly competitive market. By continuously innovating and offering superior value, companies can effectively offer better value to complete. In addition, some companies implement recurring income in small components or as a whole of the business model depending on strategy and other determining factors. The goal is to maximize asset potential and achieve long-term financial success (Mehta et al., 2016).

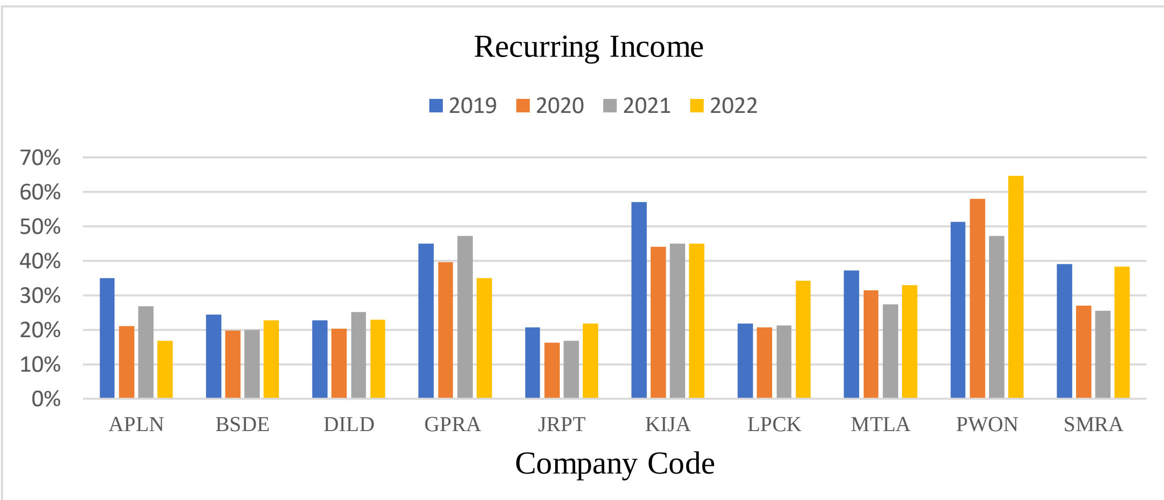

Figure 1 Recurring Income in the Years of 2019-2022

Figure 1 shows the phenomenon of recurring income variations in 10 property and real estate companies over 4 years. This indicates that the management in making decisions to determine recurring income also needs to consider certain factors in facing tight competition. This study further explores the factors that influence recurring income, namely: cash on hand, liabilities, and fixed assets.

Cash on hand is the first factor studied in this study, consisting of physical cash which is a component of the most liquid current assets. It holds an important elements due to its responsibility in making fundamental decisions for companies. With optimal management, cash on hand can be an effective tool to maximize revenue. Previously, research related to the effect of cash holdings on company achievement showed mixed results. Several studies found a significant positive relationship, in which increasing cash holdings was associated with increasing company performance (Ali et al., 2024; Ariel G. Cabildo et al., 2022; Jabbouri & Almustafa, 2021; Mohd-Ashhari & Faizal, 2018; Williams & Windebank, 2004; Yun et al., 2021). On the other hand, several other studies found a significant negative relationship, in which increasing cash holdings were associated with decreasing performance (Asante-Darko et al., 2018; Majid et al., 2019; Wiyani Prameswari & Ratnaningsih, 2023).

The second factor studied is liabilities, which are future economic consequences that must be borne by the company due to actions or transactions carried out in the present. Companies that has an increase in liabilities will have an increase in interest burden that must be paid. This can reduce the company's profit, which has an impact on the corporation's operational activities and will decrease its income (Ramadhan, 2019). Previous studies have produced mixed findings regarding the influence of liabilities on company achievement. The right strategy for using liabilities can have a positive impact on company achievement (Dimisyqiyani et al., 2015; Prasetyo et al., 2021). However, several other studies also show the potential dangers of excessive liabilities affecting company performance (Ernawati & Santoso, 2022; Islami & Wulandari, 2023; Mahiswari & Nugroho, 2016; Nguyen Thanh, 2019; Oktaviyana et al., 2023).

The third factor studied is fixed assets, which are long-term assets that are the largest investment of all existing assets to generate cash inflows in the future (Syamsuddin, 2013). These are used by companies in the long term to run daily operational activities, helping companies improve operational efficiency by automating tasks and reducing production time and costs, as well as providing companies a competitive advantage by producing quality products or services, or affordable prices than other competitors so as to generate and increase company revenue. Several previous studies have shown mixed results, in which increasing fixed assets is associated with improving financial performance (Afiezan et al., 2021; Oxtaviana & Khusbandiyah, 2016; Silalahi et al., 2022). Whereas, there are other studies that show opposite results, such as an increase in fixed assets is associated with a decrease in financial performance (Alarussi, 2021; Satria & Thamrin, 2021).

The results of previous studies show inconsistent results, thus providing opportunities for further research. Previous studies focused on the influence of cash on hand, liabilities, and fixed assets on company performance in general. However, these studies have not included a specific dependent variable, specifically recurring income performance, in empirical testing. Therefore, the researchers propose a novelty in this study by examining the influence of cash on hand, liabilities, and fixed assets on recurring income.

Based on the background of the phenomenon presented, this study aims to obtain empirical test results with regards to the effect of cash on hand, liabilities and fixed assets on recurring income. To the best of the researchers' knowledge, there has been no research that examines the factors that influence recurring income in the property and real estate sector. Recurring income is an important financial metric for property and real estate corporations, thus, understanding the factors that influence it can help companies improve their performance. The results of this study are expected to be used as a basis for developing policies, strategies, or best practices in the property and real estate sector.

Literature Review

Trade-off Theory

Trade-off theory is an important foundation in understanding how companies determine their optimal capital structure. This theory explains that companies balance the benefits and costs of liabilities in order to achieve an optimal capital structure. Liabilities can be a source of funding for company growth, but high levels of liabilities can increase risk and reduce company performance. A careful consideration of the costs and benefits of liabilities is essential prior to deciding to borrow money. Excessive borrowing can endanger company's assets and increase the risk of bankruptcy (Myers, 1984). In addition, excessive use of liabilities can cause a company to lose control over its finances because it is bound by the terms and conditions set by creditors (Frank & Goyal, 2008). Therefore, trade-off theory can provide an understanding of the costs and benefits of the influence of the use of liabilities on company income as a strategy to achieve stable growth.

Resource-Based View (RBV) Theory

Resource-based competitive advantage states that the main key to the long-term success of a business innovation lies in the company's internal resources, the company's ability to utilize these resources and the innovation's contribution to the company's financial performance (Holdford, 2018). RBV is based on the assumption that proper allocation of internal resources through strategic management decisions can increase the value of resources and surpass competitors in the market (Lockett et al., 2009). According to Mahoney & Pandian (1992), emphasizes the importance of a combination of resources that are not easily imitated or substituted in achieving competitive advantage through RBV. Resources in the context of RBV include cash on hand and fixed assets that are optimized with the company's competencies to develop effective strategies to achieve competitive advantage (Amoako et al., 2022; Miller, 2019). Several previous studies stated that when there is inefficiency in the financial market, it causes companies to have difficulty obtaining external funding. At that time, the amount of cash held by the company plays an important role in funding investment projects and financing operational activities and describes the liquidity capacity of a company (Edi & Fernando, 2021; Liestyasih & Wiagustini, 2017; Sutrisno, 2017; Wirdayanti et al., 2022). On the other hand, a company that has fixed assets in any amount to be used in the core operational activities of an entity that can generate and even maximize income if used optimally. In short, RBV helps companies to understand how internal resources, such as cash on hand and fixed assets, can enable companies to achieve competitive advantages to increase their income.

Recurring Income

Recurring Income is a vital component for companies that desire sustainability and predictability in their revenue streams. Its stability and predictability make recurring income a reliable foundation for financial growth. Therefore, recurring income becomes the dependent variable in this study. In the study, recurring income is obtained by the following recurring income ratio:

(Total recurring income / Total sales) x 100%

Cash on Hand

Cash on hand is a term often found in the world of accounting and finance that refers to cash owned by an entity. It is the most liquid current and easy access, to fund operational activities, pay off liabilities and make investments in an entity. It is part of cash holdings (cash and cash equivalents) in a smaller scope. Cash on hand can help companies increase revenue because it facilitates business operations. This is supported by the theory of demand for money, which explains the behavior of companies holding onto cash. According to Keynes (2018), companies hold cash for various reasons that can be categorized as transaction, preventive, and speculative motivations. Transaction motivation refers to the need for companies to have cash for smooth business operations because converting fixed assets into cash takes time, while borrowing from banks can be expensive. Furthermore, preventive motivation relates to the desire of companies to guard against unexpected expenses such as fluctuations in demand or changes in raw material prices. Finally, speculative motivation is driven by the desire of corporations to take advantage of changes in interest rates or exchange rates by buying or selling financial assets. Therefore, this study uses cash on hand as an independent variable that affects recurring income in a company.

Liabilities

Liabilities are financial obligations that must be met, either in the near or long term, which originate from business activities and operations. A good understanding of liabilities is essential in managing a company's finances effectively (Idris, 2021). This is because it can affect a company's performance in several aspects, one of which is income as it is used as an indicator of a corporation's success in achieving its goals (Senastri, 2022). A company's liabilities can increase or decrease profits depending on how its are used. If managed optimally, it will make profits bigger in the future. Poorly managed liabilities can significantly burden the company (Wijaya et al., 2021). This study uses total liabilities, consisting of current liabilities and non-current liabilities, as an independent variable to test its effect on recurring income.

Fixed Assets

Progressive companies that want to compete in the market need to expand their fixed assets continuously. Investment in fixed assets is an important indicator for company growth (Kannadhasan & Nandagopal, 2008). Therefore, the purchase of fixed assets is a strategic decision, not just a spontaneous purchase. Companies carefully plan the desired asset composition for a certain period of time in the future (Bandopadhyay & Das, 2022). These assets are classified as long-term assets (more than one year), which are included in the type of non-current assets and are used in daily business activities. In this study, fixed assets are an independent variable that affects recurring income in a company.

Hypothesis Development

Based on RBV, cash on hand acts as an internal resource that is considered by companies to finance their operating activities and investment opportunities. This theory proposes that it can be used to invest in inimitable resources. Inimitable resources are one of the most important characteristics in achieving competitive advantage as they encourage companies to make improvements in optimizing and developing products or services effectively and efficiently, which ultimately increases the company's profit (Kaukab et al., 2020). Therefore, cash on hand has a positive relationship with recurring income. By managing cash on hand optimally, companies that increase investment in inimitable resources can improve operational efficiency, and increase financial flexibility. Ultimately, the company’s overall recurring income will rise which is supported by several previous studies that show cash holdings have a significant positive effect on company performance. This means that the corporation's profitability is positively influenced by the level of cash holdings (Ali et al., 2024; Doan, 2020; Mohd-Ashhari & Faizal, 2018; Yun et al., 2021). Based on the issues discussed, the first hypothesis in this study is:

H_1: Cash on hand has a positive influence on recurring income.

According to the trade-off theory, there are costs and benefits in using liabilities in a company. The theory posits the relationship between liabilities and income can achieve good company growth at an optimal level. The proportion of company funding through loans is reflected in the high value of liabilities. This results in an increase in the interest burden that the corporation needs to bear to the lender (Santoso & Wiyono, 2013). The company can also worsen the its growth, for example, if the management team cannot manage the capital structure (liabilities) efficiently and effectively, thus increasing the financial risk and causing the company to go bankrupt. Therefore, liabilities have a negative relationship with recurring income, because companies with high liabilities has a reduced operational efficiency and an increased in costs. Thus, reducing the potential for opportunities to grow and ultimately has an impact on decreasing recurring income. This is supported by several previous studies that found liabilities have a significant negative effect on company performance. It means that higher liabilities can increase the risk of settlement failure and have an impact to the decreasing of company performance (Ernawati & Santoso, 2022; Islami & Wulandari, 2023; Mahiswari & Nugroho, 2016; Nguyen Thanh, 2019; Oktaviyana et al., 2023). Thus, the second hypothesis in this study is:

H_2: Liabilities have a negative impact on recurring income.

Based on the resource-based view theory (RBV), fixed assets can be an important internal resource for a company as fixed assets provide the resources needed for the company to increase its production and sales capacity, thereby improving company performance. To achieve competitive advantage and optimal performance, organizations often make acquisitions, mergers, and utilization of important assets (Radianto, 2015). The relationship between fixed assets and recurring income is that investment in fixed assets can help companies gain competitive advantages and increase market share in facing competitive markets, which ultimately increases more stable and sustainable recurring income. This is supported by several previous studies stating that fixed assets have a significant positive effect on company performance as fixed assets play an important role in increasing company profitability, by helping companies to increase production capacity, sales, and profits (Afiezan et al., 2021; Oxtaviana & Khusbandiyah, 2016; Silalahi et al., 2022). Following on the explanation that has been presented, the third hypothesis in this study is::

H_3: Fixed assets have a positive influence on recurring income.

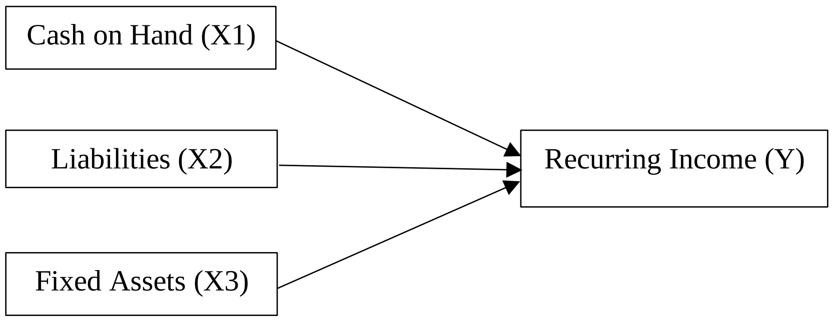

Figure 2 Conceptual Framework

Research Methods

A quantitative approach was employed, utilizing secondary data obtained from the Indonesian Stock Exchange (IDX) and the respective websites of the property and real estate corporations. The population of this study consisted of 25 property and real estate corporations listed on the IDX main board during the year 2019-2022 period. The sampling technique used in this research is purposive sampling with the following criteria: (1) availability of complete annual and financial reports; (2) registered on the IDX and (3) was not delisted. Based on the sample criteria, there were 24 samples obtained in the 4-year period. The dependent variable is recurring income, which is measured by the recurring income ratio (%) and the independent variables are cash on hand, liabilities and fixed assets are proxied by the Ln method. Based on the chow test and the hausman test, the appropriate research model is fixed effect (FE).

Data Analysis Method

This study used panel data regression analysis technique with Stata 13 software and applied panel data regression assumption tests, which included autocorrelation, multicollinearity, and heteroscedasticity tests. Normality test on the fixed effect model was not performed, because the fixed effect assumption can overcome individual heterogeneity without requiring normality on the error term (Mehmetoglu & Jakobsen, 2022). In addition, robust standard error was used to overcome heteroscedasticity that appeared in research data. The following is the panel data regression equation formula.

$$RRit = \alpha + \beta 1CoHit + \beta 2ToLit + \beta 3FAit + \varepsilon it$$

Notes:

RR	= Recurring income (Y)
CoH	= Cash on hand
ToL	= Total liabilities or liabilities
FA	= Fixed assets
α	= Constant
i	= Company number 1, 2, 3, …..
t	= Year 2019-2022
β1, β2, β3	= Independent variable regression coefficient
ε	= Error term

Results and Discussion

Results

The data source in this study is a sample of 24 property and real estate companies listed on the Indonesia Stock Exchange in 2019-2022. This sample data resulted in a total of 96 observations used for analysis. The next sub-chapter will describe in detail the data collected in this study.

Descriptive Statistics

Table 1 provides a descriptive statistical overview of the variables examined in this study. Descriptive statistics is a branch of statistics that focuses on collecting, organizing, simplifying and analyzing data to obtain easily understood information. The dependent variable recurring income gets a mean value of 0.36 with a standard deviation of 0.32 which indicates that the recurring income data is centered quite close to the average value. The minimum value of recurring income is 0 and the maximum value is 1.

Table 1. Descriptive Statistics

Variable	Mean	Std. Dev	Min	Max	Observations
Dependent Variable					
RR	0.3640208	0.3209727	0	1	96
Independent Variable					
CoH	20.31731	2.37510	14,3915	23.4550	96
ToL	28.42940	2.068991	22.6087	31.0563	96
FA	25.67949	2,775781	17.6054	30.0726	96

Source: Authors' Processed Data (2024)

The independent variable cash on hand has a mean value of 20.32 with a standard deviation of 2.38. The independent variable cash on hand is spread in the range of 14.39 to 23.46. The mean value of the liability variable is 28.43 and the standard deviation is 2.07, the liability variable varies in the range of 22.61 to 31.06. Fixed assets had a mean of 25.68 with a standard deviation of 2.78, ranging from a minimum of 17.61 to a maximum of 30.08. Overall, the variability of both independent and dependent variables was relatively low in terms of spread or diversity.

Model and Classical Assumptions Tests

Table 2. Model and Classical Assumptions Tests

	Overall
Chow test (Prob > F)	0.0000
Hausman test	0.0019
Autocorrelation	strongly balanced
VIF	345.94
Wald test	0.000

Source: Authors' Processed Data, 2024

Table 2 shows the chow test and hausman test that were conducted to select the right model to be applied in this study. Based on the model testing through the chow test and hausman test, the results were significant (<0.05) indicating that the fixed effects (FE) model was determined to be more appropriate than the PLS or random effects (RE) model. The selection of the FE model allows researchers to consider individual effects that may not be observed in the PLS model, thus providing a more accurate and consistent estimate when there is heterogeneity between individuals in this study. Based on the autocorrelation test, it shows the status of "strongly balanced", meaning that one company has the same time series, that is for 4 years. The Variance Inflation Factor (VIF) method for testing multicollinearity indicates the symptoms of multicollinearity in the regression model as the average VIF is more than 10, which is 345.94. However, multicollinearity is not always a crucial problem (Gujarati & Porter, 2009). In some cases, a linear combination of regression coefficients can provide valuable information, even if the individual coefficients are not statistically significant or even the “do nothing” method of dealing with multicollinearity (Gujarati & Porter, 2009). Next, the Wald Test wase conducted to test heteroscedasticity and the results show the value of Prob> chi2 is <0.05 by 0.00, which means that there is a symptom of heteroscedasticity. Therefore, to overcome the problem of heteroscedasticity, robust standard error test was used.

Panel Data Regression Results

Table 3. Panel Data Regression Results

Fixed Effect Model				
Independent Variable	**Coefficient**	**Robust Std. Err.**	**T**	**P>|t|**
Constant	6.415327	4.967134	1.29	0.209
CoH	0.0636051	0.0513255	1.24	0.228
ToL	-0.2005379	0.1874379	-1.07	0.296
FA	-0.0639584	0.0233777	-2.74	0.012
F Test	0.0257			
R-squared	0.0056			

Source: Authors’ Processed Data, 2024

Based on Table 3, the F test results show that the Prob> F value is smaller than 0.05 by 0.0257, which means that the F test is acceptable. This indicates that this model can explain its dependent variable because there is at least one independent variable that has a significant effect on the dependent variable. The R-Square value of 0.0056 indicates that the model explains only 0.56% of the variation in recurring income, with 99.44% influenced by other factors. Next, the t-test was conducted to identify independent variables that have a significant influence on the dependent variable and the t-test showed that cash on hand does not have a significant influence on recurring income. This is based on the cash on hand coefficient value of 0.064 and the P>|t| value of 0.228. The P>|t| value that is greater than 0.05 (P>|t| > 0.05) indicates that cash on hand does not have a strong enough relationship with recurring income to be considered statistically significant. Therefore, hypothesis 1 cannot be accepted as the liability variable does not show a significant effect on recurring income. This is supported by the liabilities coefficient value of -0.201 and the P>|t| value of 0.296 (P>|t| > 0.05), thus, hypothesis 2 is rejected. In contrast to cash on hand and liabilities, fixed assets show a significant negative effect on recurring income, which the fixed asset coefficient value is -0.064 and the P>|t| value is 0.012 (P>|t| < 0.05). The P>|t| value that is smaller than 0.05 indicates that there is a fairly strong relationship between fixed assets and recurring income, and the relationship is negative. This suggests that an increase in fixed assets is associated with a decrease in recurring income generated by the company, thus, hypothesis 3 is rejected. Based on the results of the multicollinearity test, it was found that the multicollinearity value was quite high. Although the high multicollinearity value is not seen as a problem, the researchers added additional analysis using simple linear regression analysis in Table 4 to prove that the results are not biased or there is no difference in the test results between panel regression and simple linear regression.

Table 4. Additional Test Results with Simple Linear Regression Approach For The Fixed Effect Model

<table>
<tr><th colspan="6">Fixed Effect Model</th></tr>
<tr><th colspan="2">Independent Variable</th><th>Coefficient</th><th>Robust Std. Err.</th><th>T</th><th>P>|t|</th></tr>
<tr><td rowspan="2">CoH</td><td>Constant</td><td>-1.025466</td><td>1.034654</td><td>-0.99</td><td>0.332</td></tr>
<tr><td>CoH</td><td>0.0683893</td><td>0.0509248</td><td>1.34</td><td>0.192</td></tr>
<tr><th colspan="6">Fixed Effect Model</th></tr>
</table>

Independent Variable		**Coefficient**	**Robust Std. Err.**	**T**	**P>|t|**
ToL	Constant	5.505226	4.914704	1.12	0.274
	ToL	-0.1808411	0.172874	-1.05	0.306
		Fixed Effect Model			
Independent Variable		**Coefficient**	**Robust Std. Err.**	**T**	**P>|t|**
FA	Constant	1.999027	0.5735136	3.49	0.002
	FA	-0.0636697	0.0223335	-2.85	0.009

Source: Authors' Processed Data, 2024

The comparison between regression results in Table 3 and Table 4 shows there is similarity between the test results stating cash on hand and liabilities do not significantly affect recurring income. Whereas, fixed assets have a significant negative effect on recurring income. This finding is an empirical evidence that the results of the coefficient interpretation are not biased.

Discussion

The effect of cash on hand on recurring income

Based on the research results, cash on hand does not significantly affect recurring income. This is contrary to the perspective of the RBV theory, which cash on hand is included as one of the important assets that can provide a source of competitive advantage. Therefore, in this research, the liquidity level of cash on hand does not provide a competitive advantage for property and real estate corporations to increase their recurring income. Property and real estate corporations generally do not keep large amounts of cash, because those companies choose to reinvest their funds in money market mutual funds or other short-term investment instruments. Basically, the nature of the property and real estate business in developing recurring income requires large and long-term capital to attract new customers and retain customers in a competitive market. Although companies have cash on hand, generally the amount owned is relatively small compared to their fixed assets and liabilities. Therefore, the influence of cash on hand does not have much impact on recurring income. This study is in line with a research by Alnori & Bugshan (2023), which stated cash holdings have no effect on company performance, meaning that for companies to hold cash is less valuable than other resources.

The effect of liabilities on recurring income

Liabilities have no significant effect on recurring income, consistent with the trade-off theory, which emphasizes optimal capital structures to minimize costs and maximize value. Property and real estate companies generally have a conservative capital structure. A company with conservative capital structure is a company that chooses to use internal funding, such as retained earnings compared to external funding such as liabilities, to finance its operations in developing businesses to generate recurring income. This is because the risk of the property and real estate business can be high if using liabilities. Especially the company's goal of targeting recurring income is to seek security in its finances. Therefore, the use of liabilities is inappropriate and will deviate from the said goal and will endanger the corporation's financial health. Therefore, property and real estate companies choose to avoid liabilities and use a capital structure that comes from internal funding as it is more accessible and cheaper to use on the corporation's recurring income. The alignment of this research with several previous studies is that liabilities do not affect company performance (Anggara & Andhaniwati, 2023; Sawiji & Samsudin, 2023).

The effect of fixed assets on recurring income

The findings of this study reveal that fixed assets have a significant negative effect on recurring income. From the perspective of RBV theory, fixed assets are identified as valuable resources to achieve competitive advantage. For corporations in the property and real estate sector that have large fixed asset resources, such as large land ownership (land bank), the tendency of these companies is to maintain business continuity by utilizing fixed assets or land banks to be developed into real estate, which is then sold, so that recurring income does not become the main focus, or does not experience a significant increase in recurring income.

However, corporations in the property and real estate sector with limited fixed asset resources or relatively smaller land banks are not easy to use the non-recurring income approach. This is due to when fixed assets (land banks) are sold, the corporation's resources are significantly reduced, thus, the corporation's growth opportunities or competitive advantages decrease. Therefore, the limitations of fixed asset resources allow companies to optimize existing fixed assets minimally by increasing recurring income, such as apartment rentals, hotels, and others.

In accordance with a research by Alarussi (2021) that found fixed assets have a significant negative effect on company efficiency, this reflects that high fixed assets cause companies to be increasingly inefficient, and vice versa. Therefore, the researchers suggest property and real estate companies to consider a strategy that especially focus in the management of fixed assets whereby property and real estate companies with relatively small fixed assets should be focusing on increasing recurring income through optimizing fixed assets. Although this study found that fixed assets have a negative effect on the recurring income of property and real estate companies, this finding does not mean that fixed assets cannot be optimized. Optimizing fixed assets is an important aspect in increasing recurring income in property and real estate corporations. By implementing the right strategy, property and real estate companies can improve operational efficiency, manage fixed assets effectively, and implement the right business strategy to optimize their fixed assets and achieve the goal of increasing their recurring income.

Conclusion

This study examined the effect of fixed assets, cash on hand and liabilities on recurring income in the property and real estate sector in Indonesia. The findings indicate that fixed assets significantly negatively affect recurring income, suggesting companies with fewer fixed assets focus on optimizing them to increase recurring income. Cash on hand and liabilities, on the other hand, have no effect on recurring income. This shows that cash on hand is generally not stored in large amounts and used for recurring income. Meanwhile, companies tend to choose a conservative capital structure to minimize the impact of liabilities.

This study has several limitations. First, the research sample only came from the property and real estate companies listed on the IDX main board during the year 2019-2022 period. Second, there are various business characteristics between companies in the sample. Therefore, further research is recommended to expand the scope of the sample by including companies from other sectors and ensure uniformity of business characteristics among companies to minimize sample diversity. In addition, this study only uses independent variables that focus on the assets and liabilities side, thus, further research can consider the equity side, such as capital and retained earnings. Further research can add other control variables, such as macroeconomic factors that may be relevant to recurring income in the property and real estate industry.

This study highlights that companies with limited fixed assets should adopt strategies like apartment rentals and hotel operations to optimize asset value and enhance recurring income. This can increase recurring income, which simultaneously also improves long-term financial performance. In contrast, companies with substantial fixed assets often prioritize short-term profits from landbank sales over recurring income generation. Therefore, companies with large fixed asset values also need a strategy to balance fixed asset sales with new investments to maintain long-term growth.

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