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# Do Financial Policy with Company Size Interaction Affect Company Value?

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A R T I C L E I N F O

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A B S T R A C T

This research aimed to analyse the impact of capital structure, dividend policy, and investment decisions on company value with company size as a moderating variable in telecommunications companies listed on the Indonesia Stock Exchange for 2022–2024. The research type used was causal associative with a quantitative approach. The samples were determined using purposive sampling, obtaining seven companies with 21 observations over three years. Data was analysed using multiple linear regression with "Moderated Regression Analysis" (MRA) utilising the EViews 13 program. The findings indicate that capital structure, dividend policy, and investment decisions do not significantly impact company value. Furthermore, as a moderating variable, company size could not moderate the impact of capital structure, dividend policy, and investment decisions on company value.

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## INTRODUCTION

The telecommunications sector is one of several crucial sectors that support Indonesia's economic progress. With technological and economic advances, competition among companies has become increasingly fierce. This sector is one of several companies experiencing rapid growth (Abdi et al., 2022). After the COVID-19 pandemic, this sector has increasingly demonstrated its strategic role as most of the population continues using digital services. According to data from the Central Statistics Agency (BPS), obtained through the 2024 National Socioeconomic Survey (Susenas), approximately 72.78% of the domestic population accessed the internet in 2024 and 69.21% in 2023. This indicates that the public's dependence on telecommunications is growing and can drive telecommunications companies to improve their performance to remain competitive, affecting stock prices and company value.

Company value is crucial for companies because it reflects investors' perspectives on the Company's capabilities in managing its supporting power. The large number of investors purchasing shares in a company increases the price of the relevant shares, leading to an increase in the Company's value. Increases and decreases in share prices can determine their value in the eyes of investors. Company value can illustrate the condition of the Company. A high value generates investor confidence, and the Company is considered healthy (M. Sari & Mildawati, 2017).

One commonly used indicator to measure a company's value is "Price to Book Value" (PBV), a ratio that compares the share price to its book value per share. A high PBV represents a high level of shareholder welfare, which is the Company's main objective. A number of factors can determine a company's value, including capital structure, dividend policy, and investment decisions.

Capital structure is a method used by companies to fund their operational activities through a combination of equity and debt. The choice of a company's capital structure is crucial because it can affect the value of the Company, investment risk, and access to funding (Andira, 2024). Previous studies still show uncertainty regarding the correlation between capital structure and company value. As Sari, Rivan, and Selvina (2025) identified, positive capital structure affects company value. Differences in findings were found in Tjahjono's (2025) study, where capital structure did not significantly affect company value.

Dividend policy is a decision a business unit makes regarding the amount of profit to be distributed to shareholders in the form of dividends. At the same time, the remainder is retained as "retained earnings" to support future investment and development of the business unit (Putu et al., 2019). This policy can be assessed using the "Dividend Payout Ratio" (DPR), which compares the total dividends paid with the net profit of a business unit. In a study conducted by Oktavia et al. (2025), it was stated that dividend policy affects company value. Meanwhile, Antari, Endiana, and Pramesti (2022) identified different findings: dividend policy does not affect company value. In addition to these two factors, investment decisions can affect the value of a business unit.

Investment decisions are the determination of capital allocation in the present, intended to generate profits and benefits in the future. These decisions

are an important aspect of finance because goals can be achieved through investment activities. Findings identified by Darmawan (2023) reveal that investment decisions affect company value. However, a study by Lukman et al. (2022) identified that these decisions do not affect company value.

This study includes a moderating variable, namely "company size." Company size indicates the amount of assets owned by the Company, which indicates its ability to offer various types and quantities of products or services. (Nur, 2019). The research results by Rachmadevi, Purwohedi, and Ulupui (2023) reveal how company size as a moderating factor can increase the correlation between capital structure and company value. Conversely, Prabawa (2024) found that as a moderating variable, company size can weaken the correlation between capital structure and company value. The study by Sari & Suwitho (2023) found that, as a moderating variable, company size can strengthen the correlation between dividend policy and company value. However, Fitiriawati, Wulandari, and Sari (2021) identified that, as a moderating variable, company size can weaken the correlation between dividend policy and company value.

In a study conducted by Fitiriawati, Wulandari, and Sari (2021), it was also mentioned that, as a moderating variable, company size can strengthen the correlation between investment decisions and company value. Furthermore, Amelia, Kadir, and Budi (2024) identified different findings, namely that, as a moderating variable, company size can weaken the correlation between investment decisions and company value. Referring to this explanation, this study analysed "the effect of capital structure, dividend policy, and investment decisions on company value with company size as a moderating variable in the telecommunications sector listed on the Indonesia Stock Exchange (IDX)".

## LITERATURE REVIEW

### *Signaling Theory*

This theory explains that signals serve as a tool for conveying information between business parties (Spence, 1973). These signals indicate that shareholders' interests and expectations are being met or have been achieved. Signalling theory discusses how signals of failure or success of management (agents) should be disclosed to owners (principals) (Simorangkir, 2019). This theory provides a method in determining a company's financial structure (Ross et al., 1977).

### *Capital Structure*

This refers to the combination of equity and debt in a business unit's long-term budget structure (Irawan & Kusuma, 2019). One theory that explains the determination of capital structure is the "Trade-Off Theory," proposed by Modigliani and Miller (1963). The essence of this theory is to balance the benefits and disadvantages that arise from the use of debt.

### *Dividend Policy*

Referring to the decision regarding whether the net profit accumulated at the end of the period can be distributed to shareholders as dividends or retained as retained earnings to increase capital used in financing future

investments. In their research, Modigliani and Miller (1961) revealed how dividend policy does not affect company value if investment and cash flow remain the same and the market is in ideal conditions. Dividend distribution is generally considered a positive signal for investors when making investment decisions, because investors prioritise certain returns. With this distribution, companies can generate increased interest and confidence among investors in investing their capital. When many investors purchase shares, it can lead to an increase in share prices, which in turn increases the value of the Company (Putri & Handayani, 2022).

***Conceptual Framework***

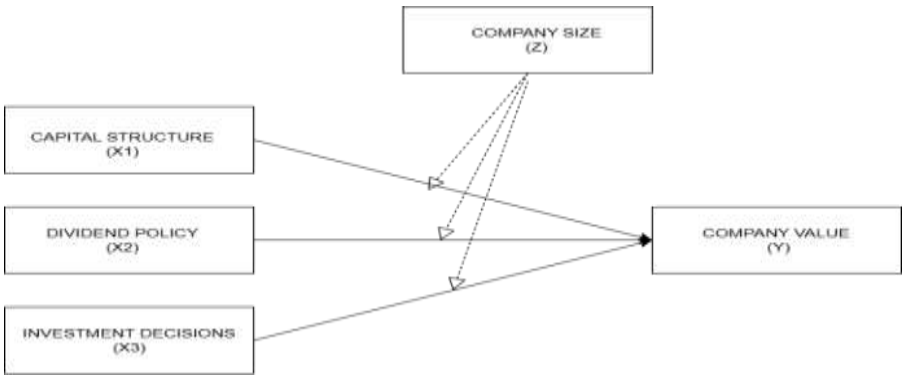


Figure 1. Conceptual Framework

Description :

: Partially Influential

: Moderate Influence

**METHODOLOGY**

***Type of Research***

The type of research determined is causal associative. This study is intended to describe issues with a causal nature, namely the correlation between cause and effect between two or more variables. It also intends to determine the effect of capital structure, dividend policy, and investment decisions on company value with the moderating variable, company size.

***Population and Sample***

The population is all telecommunications companies listed on the IDX from 2022 to 2024. The sampling technique used is purposive sampling, which is the selection of samples based on specific considerations. Thus, the selected samples are expected to meet the study's objectives, purposes, and targets determined by the criteria. The following are the criteria determined during the sample selection process:

Table 1. Sampling Criteria

| No | Sample Criteria | Amount |
|---|---|---|
| 1. | Telecommunications companies listed on the Indonesia Stock Exchange during 2022-2024 | 23 |
| 2. | Telecommunications sector companies that did not consistently distribute dividends to shareholders during the 2022-2024 period | (16) |
| | **Total Sample** | **7** |
| | **Total Observations (3 years)** | **21** |

*Source: Data processed by researcher (2025)*

***Operational Definition of Variables***

This study utilises several variables described through the following operational definitions:

1. Company Value

This variable can be calculated using the "Price to Book Value" (PBV) formula, namely:

$$PBV = \frac{\text{Market Price per Share}}{\text{Book Value per Share}}$$

2. Capital Structure

This variable can be calculated using the "Debt to Equity Ratio" (DER) formula, namely:

$$DER = \frac{\text{Total Debt}}{\text{Equity}}$$

3. Dividend Policy

This variable is proxied by the "Dividend Payout Ratio" (DPR), using the following formula:

$$DPR = \frac{\text{Cash Dividends}}{\text{Net Profit}}$$

4. Investment Decisions

This variable is measured by "Total Assets Growth" (TAG). The formula used is:

$$TAG = \frac{Tat - Tat\text{-}1}{Tat\text{-}1}$$

Description:
Tat = Total assets this year
Tat-1 = Total assets in the previous year

5. Company Size

The Size of a business unit can be evaluated by looking at its total assets. The formula for calculating total assets is as follows:

Company Size = LN(Total Assets)

Description:
LN = Natural logarithm

***Data Analysis Procedure***

Data analysis was performed using the EViews program, which includes descriptive statistical analysis, hypothesis testing, and multiple regression analysis with "Moderated Regression Analysis" (MRA). Hypothesis testing was performed using t-tests, F-tests, and the coefficient of determination ($R^2$). In contrast, moderation testing was performed by adding interaction variables to examine the role of company size as a moderating variable.

## RESEARCH RESULTS AND DISCUSSION

### *Analysis of Research Data*

### *Descriptive Statistical Analysis*

Table 2. Descriptive Statistical Analysis

| | X1 | X2 | X3 | Y | Z |
|---|---|---|---|---|---|
| Mean | 167.4366 | 6.042212 | 53.95785 | 2.085762 | 31.19332 |
| Median | 2.286452 | 0.432199 | 0.044011 | 1.652155 | 31.86070 |
| Maximum | 3478.448 | 118.0412 | 1131.303 | 4.771911 | 33.33372 |
| Minimum | 0.481311 | 0.001186 | -0.017287 | 0.393699 | 27.77653 |
| Std. Dev. | 758.6487 | 25.66431 | 246.8507 | 1.285249 | 1.792237 |
| Skewness | 4.248518 | 4.247368 | 4.248526 | 0.758979 | -0.803133 |
| Kurtosis | 19.04994 | 19.04375 | 19.04998 | 2.430904 | 2.319400 |
| | | | | | |
| Jarque-Bera | 288.5751 | 288.3672 | 288.5766 | 2.299561 | 2.662896 |
| Probability | 0.000000 | 0.000000 | 0.000000 | 0.316706 | 0.264095 |
| | | | | | |
| Sum | 3516.168 | 126.8864 | 1133.115 | 43.80100 | 655.0596 |
| Sum Sq. Dev. | 11510958 | 13173.14 | 1218706. | 33.03732 | 64.24228 |
| | | | | | |
| Observations | 21 | 21 | 21 | 21 | 21 |

*Source: Data processed by researcher (2025)*

Description :
X1 = Capital Structure
X2 = Dividend Policy
X3 = Investment Decisions
Y = Company Value
Z = Company Size

Table 2. shows that the maximum capital structure (DER) level is 3478.448, while the minimum is 0.481311. Meanwhile, the average (mean) is 167.4366, with a standard deviation of 758.6487. Furthermore, the dividend policy (DPR) produced a maximum level of 118.0412, a minimum level of 0.001186, a mean of 6.042212, and a standard deviation of 25.66431. Then, the investment decision (TAG) shows a maximum level of 1131.303, a minimum level of -0.017287, with a mean of 53.95785, and a standard deviation of 246.8507. Meanwhile, the company value (PBV) produced a maximum level of 4.771911, a minimum level of

0.393699, a mean of 2.085762, and a standard deviation of 1.285249. Finally, company size (SIZE) showed a maximum level of 33.33372, a minimum level of 27.77653, a mean of 31.19332, and a standard deviation of 1.792237.

***Hypothesis Testing***

Table 3. Multiple Linear Analysis

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 1.361494 | 0.413040 | 3.296276 | 0.0043 |
| X3 | 1.20E-05 | 0.001064 | 0.011258 | 0.9911 |
| X2 | 1.588587 | 0.806714 | 1.969206 | 0.0655 |
| X1 | -0.053005 | 0.027285 | -1.942616 | 0.0688 |

| | | | |
|---|---|---|---|
| R-squared | 0.347025 | Mean dependent var | 2.085762 |
| Adjusted R-squared | 0.231794 | S.D. dependent var | 1.285249 |
| S.E. of regression | 1.126487 | Akaike info criterion | 3.245729 |
| Sum squared resid | 21.57256 | Schwarz criterion | 3.444686 |
| Log likelihood | -30.08015 | Hannan-Quinn criter. | 3.288908 |
| F-statistic | 3.011557 | Durbin-Watson stat | 0.851718 |
| Prob(F-statistic) | 0.058958 | | |

Source: Data processed by researcher (2025)

***Analysis of T-Test Results (Hypothesis Testing)***

a. The capital structure variable (X1) produced a t-statistic of -1.942 with a Prob. (Sig.) level of 0.068 (>0.05), thus concluding that variable X1 does not significantly affect company value.
b. The dividend policy variable (X2) produced a t-statistic level of 1.969 with a Prob. (Sig.) level of 0.065 (>0.05), thus concluding that the dividend policy does not significantly affect company value.
c. The investment decision variable (X3) produces a t-statistic value of 0.011 with a probability (Sig.) value of 0.991 (>0.05), leading to the conclusion that variable X1 does not significantly affect company value.

***Regression Equation Analysis***

**1,361 - 0,053X1 + 1,588X2 - 1,200X3**

From the equation above, it can be interpreted that:

a. The constant level is 1.361, so an average increase of one unit in the independent variable can increase 1.361 in the dependent variable.
b. The regression coefficient for variable X1 is negative (-0.053), concluding that an increase in capital structure results in a decrease of -0.053 in company value, and vice versa.
c. The regression coefficient for variable X2 is positive (+) at 1.588, leading to the conclusion that an increase in dividend policy results in an increase of 1.588 in dividend policy, and vice versa.

d. The regression coefficient for variable X3 is negative (-1.200), so it can be concluded that an increase in investment decisions results in a decrease of -1.200 in company value, and vice versa.

***F-Test Results Analysis (Simultaneous):***

The F-statistic level is identified as 3.011, with a Prob. (F-statistic) level of 0.058 (>0.05). Thus, it can be concluded that the independent variables do not significantly affect the dependent variables simultaneously.

***Analysis of the Coefficient of Determination Test Results:***

The Adjusted R Square value was identified as 0.231, leading to the conclusion that simultaneously, the full contribution of the independent variables to the dependent variable was 23.1%. The remaining 76.9% was influenced by other variables not included in the study.

***Moderated Regression Analysis (MRA)***

Table 4. *Moderated Regression Analysis* (MRA)

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | -10.61548 | 18.12795 | -0.585586 | 0.5682 |
| X1 | 11.09842 | 18.08963 | 0.613524 | 0.5501 |
| X2 | -5.087714 | 20.01560 | -0.254187 | 0.8033 |
| X3 | 10.26061 | 10.28089 | 0.998027 | 0.3365 |
| Z | 0.395997 | 0.592725 | 0.668096 | 0.5158 |
| X1Z | -0.353603 | 0.573769 | -0.616281 | 0.5483 |
| X2Z | 0.195775 | 0.643464 | 0.304252 | 0.7658 |
| X3Z | -0.369387 | 0.370133 | -0.997985 | 0.3365 |

| | | | |
|---|---|---|---|
| R-squared | 0.444220 | Mean dependent var | 2.085762 |
| Adjusted R-squared | 0.144954 | S.D. dependent var | 1.285249 |
| S.E. of regression | 1.188453 | Akaike info criterion | 3.465514 |
| Sum squared resid | 18.36148 | Schwarz criterion | 3.863427 |
| Log likelihood | -28.38790 | Hannan-Quinn criter. | 3.551872 |
| F-statistic | 1.484365 | Durbin-Watson stat | 0.866241 |
| Prob(F-statistic) | 0.255443 | | |

*Source: Data processed by the researcher (2025)*

a. Variable X1Z (the Interaction between the capital structure and company size variables) produced a t-statistic level of -0.616 with a Prob. (Sig.) level of 0.548 (>0.05). It was then determined that no significant moderating effect of company size on the effect of variable X1Z on variable Y was identified.
b. Variable X2Z (Interaction between dividend policy variable and company size) produced a t-statistic level of 0.304 with a Prob. (Sig.) level of 0.765 (>0.05), indicating no significant moderating effect of company size on the effect of variable X2Z on variable Y.
c. Variable X3Z (an interaction between the investment decision variable and the company size variable) produced a t-statistic level of -0.997 with a

Prob. (Sig.) level of 0.336 (>0.05), indicating no significant moderating effect of company size on the effect of variable X3Z on variable Y was identified.

d. The Adjusted R Square value is 0.144, so it can be concluded that variables X1, X2, X3, Z, X1Z, X2Z, and X3Z contribute 14.4% to variable Y.
e. Based on these results, it can be concluded that the influence of the independent variables on the dependent variable is weak after including the moderating variables. The initial influence was 23.1% (before including the moderating variables) and became 14.4% (after including the moderating variables).

## CONCLUSION

Referring to the findings and tests conducted, the following conclusions are drawn:

The findings show that capital structure (DER) does not significantly affect company value (PBV). These findings are consistent with trade-off theory, whereby high debt levels no longer provide tax benefits and instead increase the risk of bankruptcy, thereby not affecting company value. Dividend policy (DPR) also does not significantly affect company value, in line with Modigliani and Miller's (1961) dividend irrelevance theory, which states that company value is determined by the ability to generate profits, not by the amount of dividends distributed. Meanwhile, investment decisions (TAG) do not significantly affect company value, as the signalling theory states that the market does not always respond to investment decisions as positive signals. Additionally, company size (SIZE) does not moderate the influence of capital structure, dividend policy, or investment decisions on company value, as the Size of a business unit cannot strengthen the correlation between these three variables and the dependent variable.

## RECOMMENDATIONS

Referring to the results of the study described above, several recommendations are presented to the management of the telecommunications business unit to optimise internal factors further in order to improve the Company's performance and competitiveness, considering that in this study, capital structure, dividend policy, and investment decisions did not significantly affect the value of the Company. Meanwhile, it is recommended that future researchers expand the scope of their studies to other sectors with more extended observation periods, add variables such as profitability and liquidity, and consider other moderating variables in addition to company size to produce more comprehensive research results.

## ADVANCED RESEARCH

Future research can expand this study by incorporating profitability, liquidity, and leverage as intervening variables to capture the broader financial determinants of company value. Moreover, employing longitudinal data analysis or panel vector autoregression (PVAR) could provide deeper insights into the

dynamic causal relationship among capital structure, dividend policy, and investment decisions across different economic cycles. Comparative studies between telecommunications firms and other high-growth industries, such as technology or energy, could also uncover sectoral nuances in how company size moderates value formation. Integrating non-financial indicators, including ESG (Environmental, Social, and Governance) performance and innovation capability, is recommended to enhance the explanatory power of firm valuation models in emerging markets like Indonesia.

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