THE INFLUENCE OF FINANCIAL PERFORMANCE AND CAPITAL STRUCTURE ON COMPANY VALUE WITH COMPANY SIZE AS MODERATING VARIABLE (Empirical Study on Insurance Subsector Financial Services Companies listed on the Indonesia Stock Exchange for the Period 2019 - 2022)

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ABSTRACT

The purpose of this research was to examine and evaluate the effects of financial performance and capital structure on the value of a company, with the size of the company acting as a moderating factor. A quantitative methodology, grounded in a correlational design, was employed for this study. The research utilized secondary data obtained from the Indonesia Stock Exchange (IDX), focusing on annual reports from entities within the insurance sub-sector for the period of 2019 to 2022. The dataset included a compilation of 40 entries. The process of sample selection was carried out through a purposive sampling strategy. For data analysis, a moderation regression analysis technique was utilized, with the analysis being conducted via the SPSS software. The investigation reveals that within the insurance sub-sector of financial services, the collective variables of Financial Performance, Capital Structure, and Company Size significantly impact the value of corporations listed on the Indonesia Stock Exchange from 2019 to 2022. When examined individually, Financial Performance and Company Size fail to affect Company Value significantly, nor does Company Size act as an effective moderating factor for the Financial Performance and Capital Structure variables. In contrast, Capital Structure is recognized as exerting a considerable influence on the Company Value of entities within the same sub-sector of financial services, as listed on the Indonesia Stock Exchange over the timeframe above.

Keywords: *Financial Performance, Capital Structure, Company Value, Company Size.*

CHAPTER 1

INTRODUCTION

1.1 Background

In the contemporary realm of commerce, many corporations are evolving, endeavoring to generate profit and enhance the caliber of their operations, thereby surpassing their rivals in excellence. In managing its business, a company needs a manager who helps it make decisions to achieve better performance and continuous improvement. The significance of managerial roles within a corporation is undeniably paramount, yet the enhancement of the enterprise's quality and profitability is not solely contingent upon these individuals. Other elements, such as the financial health and operations of the Company, also hold substantial influence.

A comprehensive understanding of the target company is indispensable for investors embarking on investment ventures. Examining stock performance and thoroughly analyzing the Company's financial statements provide indispensable data for making well-informed investment decisions. This strategy seeks to allow investors to forecast the optimal return attainable. Additionally, investors must understand the variables impacting the Company's future performance.

Fluctuations influence investment decisions by investors in Company Value. A rise in Company Value mitigates the risk undertaken by investors. Hery (2017) posits that Company Value represents a specific condition attained by a company through a series of activities spanning several years, reflecting societal confidence in the Company. The maximization of shareholder wealth is facilitated through the elevation of company value, a consequence of increasing share prices. The observation has been made that shareholders' wealth is directly correlated with the Company's share price; hence, the significance of company value to investors is paramount and cannot be excessively emphasized. This value is the culmination of numerous activity processes undertaken by the Company over multiple years, serving as a testament to the public's confidence in the entity (Emanuel & Rasyid, 2019). Investors aspire to augment the Value of the Company, anticipating that they will secure a portion of the profits, thereby enhancing the owner's wealth via their capital investment.

According to Mudjijah et al. (2019), if the company value increases, this can indicate that investor prosperity will also increase. Hence, it is anticipated that company management will be able to generate optimal company performance, thereby enhancing company value.

An organization's capacity can be revealed through its stewardship of Financial Performance. An organization's financial health, a reflection of its performance during a designated period, may be evaluated by employing tools of financial analysis. This process facilitates ascertaining the organization's financial state as either favorable or unfavorable (Fahmi, 2016).

Apart from financial performance, which is involved with company value, there is also a capital structure that potential investors can use to consider their capital investment. Capital structure composition is a critical determinant of a company's performance. Hence, it serves as a fundamental criterion for prospective investors contemplating equity investments within a firm. This is because capital structure encapsulates crucial financial metrics such as capital, total liabilities, and total assets. These metrics are instrumental in evaluating the Company's risk profile, profit margins, and potential revenue streams. The exposure to risk of an enterprise, in conjunction with its levels of profit and income, markedly affects the attraction of its shares, thereby impacting the Value of the Company.

Structuring a corporation's finances, as indicated by the proportion of fiscal liabilities to indebtedness (financing through Debt), defines its Capital Structure, in which indebtedness assumes a significant function. Such a configuration is essential in enhancing a business entity's operational efficacy and productivity. According to the trade-off theory, an organization's financial approach aims to identify the most advantageous blend of Debt and equity, ultimately elevating the Company's Value. Research conducted by Pratama and Wirawati (2016) and Prastuti and Sudiartha (2016) indicates a positive correlation between capital structure and Company Value. Conversely, findings by Paminto et al. (2016) suggest that Capital Structure exerts a detrimental impact on Company Value.

Pratama and Wiksuana (2016) posit that companies vary in size, with larger entities commanding more substantial capital investments, facilitating more accessible access to funds for operational purposes. The magnitude of a company's size is posited to exert influence over management's funding decisions aimed at enhancing the Value of the Company. Nonetheless, divergent viewpoints exist concerning the correlation between the size of a company and its value. Siregar (2018) suggests that a reciprocal linkage is evident between Company Size and

Company Value, indicating that as one dimension expands, the other may contract. This aspect of Company Size is delineated by the total assets accrued by the corporation. Consequently, an escalation in the magnitude of a company correlates with an augmentation in its asset base and the requisite capital for sustaining operational activities.

The dimensions of a company are defined by the extent of assets it holds. An increase in the assets owned by a company amplifies interest from investors, thereby raising the Company's stock price and potentially augmenting its aggregate value. Entities of considerable size are often characterized by an abundance of organizational resources, which fosters enhanced opportunities for ameliorating their financial performance (Mule et al. 2017). Furthermore, the extent or size of a business can be quantified through the volume of assets it encompasses (Wimelda et al., 2013).

With this context in mind, scholars are motivated to undertake a study titled **"The Influence of Financial Performance and Capital Structure on Company Value with Company Size as Moderating Variables (Empirical Study of Financial Services Companies in the Insurance Subsector Listed on the Indonesia Stock Exchange for the 2019 - 2022 Period)."**

1.2 Problem Formulation

In addressing the issue presented, the formulation of the inquiry can be rearticulated as follows:

1. To what extent do Financial Performance, Capital Structure, and Company Size affect the Company Value in financial service enterprises within the insurance subsector registered on the IDX during 2019-2022?

2. Canct as a moderating variable in the relationship between Financial Performance and Capital Structure and Company Value in financial service firms in the insurance subsector listed on the IDX throughout the 2019-2022 interval?

1.3 Research Objectives and Benefits

1.3.1 Research Objectives

Under the issue statement earlier outlined, this investigation aims to scrutinize:

1. The impact exerted by Financial Performance, Capital Structure, and Company Size on Company Value within organizations offering financial services, especially those operating in the insurance segment and registered on the IDX, from 2019 to 2022.
2. The role of Company Size in adjusting the influence of Financial Performance and Capital Structure on Company Value among organizations operating within the financial services domain, specifically the insurance subsector, and listed on the IDX from 2019 to 2022.

1.3.2 Benefits of Research

1. Theoretical Benefits
   a) For future researchers

      The aspiration is that the outcomes of this investigation will serve as a benchmark or a foundational reference for subsequent studies concerning Financial Performance, Capital Structure, Company Value, and Company Size.

b) Knowledge field

The anticipated outcomes of this scholarly inquiry are poised to serve as a foundational reference across multiple scientific domains, including financial accounting theory, financial management, and disciplines linked to financial performance, capital structure, company value, and company size within an organization.

2. Practical Benefits

a) For Companies

The outcomes of this scholarly inquiry are anticipated to assist corporate management in administrating fiscal matters, enhancing corporate earnings, and rectifying disparities within Financial Performance and Capital Structure.

b) For investors

This investigation is designed to be an invaluable asset for investors, facilitating their assessment of a firm's profitability. It aims to promote establishing laudable company values and formulating superior investment strategies, thereby reducing investment risks.

c) For OJK

This research can help the OJK take more appropriate steps in supervising the value of companies listed on the IDX.

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

The study seeks to ascertain the impact on Financial Performance, Capital Structure, and Company Value, with Company Size as the moderating variable. Financial Performance is evaluated through the Return on Assets (ROA), while Capital Structure is assessed via the Debt to debt-to-equity ratio (DER). Company Value, the dependent variable, is quantified through the price-to-book Value (PBV). Moreover, Company Size, the moderating variable, is determined by (SIZE). From the analyses performed, the following conclusions can be drawn:

1. Drawing upon the outcomes of the Simultaneous Test (F), which revealed a significant value of 0.008, falling below the threshold of 0.05, it is deduced that the variables of Financial Performance, Capital Structure, and Company Size exert a collective influence on the Company Value within firms operating in the financial services sector, specifically those in the insurance subsector that were listed on the Indonesia Stock Exchange during the period spanning from 2019 to 2022.

2. Upon conducting the partial t-test, it has been ascertained that the variable of financial performance exerts no considerable influence upon the value of companies within the insurance subsector of financial services, those of which are registered on the Indonesia Stock Exchange during the period spanning from 2019 to 2022.

3. Under the Partial t-test analysis, it has been ascertained that within financial services enterprises, specifically those within the insurance subsector and listed on the Indonesia Stock Exchange from 2019 to 2022, the variable concerning capital structure exerts a noteworthy influence on the Value of the Company.

4. Upon conducting a partial t-test, it has been determined that the variable about company size does not exert a considerable impact on the value of companies within the financial services domain, specifically those in the insurance subsector that are registered on the Stock Exchange of Indonesia for the period spanning from 2019 to 2022.

5. Under the partial t-test, it is ascertained that the variable about Company Size fails to exert a considerable impact or cannot moderate the variable of Financial Performance about Company Value within firms of the insurance subsector financial services, which are publicly traded on the Indonesia Stock Exchange during the period spanning 2019 to 2022.

6. Utilizing the t-test (partial) as a methodological instrument, it has been discerned that the variable denoting Company Size does not exert a significant influence, nor can it act as a moderating agent for the variable of Capital Structure concerning Company Value within firms operating in the financial services sector, specifically those in the insurance subsector, that were listed on the Indonesia Stock Exchange during the period spanning from 2019 to 2022.

5.2 Research Limitations

In light of the investigations and deliberations presented within this study, it must be acknowledged that constraints persist, encapsulated as follows:

1. The temporal scope of this investigation was confined to four years (2019-2022), and conducting the study over alternate intervals might yield divergent outcomes.

2. The cohort under scrutiny in this analysis was exclusively composed of entities within the insurance subsector of financial services, all listed on the BEI. Consequently, the findings may be extrapolated to encompass only some firms represented on the BEI.

3. The variables selected for independent examination in this study were explicitly limited to financial performance and capital structure.

5.3 Suggestions

In light of the findings and deliberations presented within this study, it must be acknowledged that certain constraints persist. Therefore, it is recommended for subsequent scholars to undertake the following measures:

1. Future researchers can add research periods by paying attention to the sample criteria to determine the number of samples so that they can describe the level of company value over a more extended period.

2. For future researchers, it would be best to analyze various company sectors other than financial services companies in the insurance subsector to produce more varied research results.

3. It is suggested that future research endeavors incorporate additional independent variables, such as Business Risk and Asset Growth, into their analyses.

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