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DETERMINING FACTORS OF FIRM VALUE WITH FIRM SIZE AS MODERATING VARIABLE : A STUDY OF BANKING COMPANIES IN INDONESIA

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Abstract

This study aims to examine the effect of liquidity, funding decisions, investment decisions, and dividend policy on firm value, with firm size as a moderating variable. The sample used in this study were banking companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2024 period. The sampling technique used was Purposive Sampling, and a sample of 17 banks was obtained according to the established criteria, resulting in a total of 68 observations in this study. The data analysis methods used were Panel Data Regression Analysis and Moderated Regression Analysis (MRA). The results of the study indicate that liquidity has no effect on firm value, funding decisions have an effect on firm value, investment decisions have an effect on firm value, dividend policy has no effect on firm value, firm size is unable to moderate the effect of liquidity on firm value, firm size is able to moderate the effect of funding decisions on firm value, firm size is able to moderate the effect of investment decisions on firm value, and firm size is unable to moderate the effect of dividend policy on firm value.
Keywords: Firm value, Liquidity, Funding decisions, Investment decisions, Dividend Policy.

INTRODUCTION

The fundamental purpose of establishing a company is to enchange the welfare of it's stakeholders. To achieve this goal, the company must maximize its value. This is crucial for the company, as higher firm value indicates that its overall operational goals have been successfully achieved (Bahrun et al., 2020). Stock price is one way to assess the value of a firm (Setiawan et al., 2018). Stock price movements can be measured using stock price indices. Currently, the Indonesia Stock Exchange (IDX) has 45 indices, one of which is the Indonesia Composite Index (ICI) or *Indeks Harga Saham Gabungan* (IHSG)

Table 1
Stock market index based on IHSG from 2019 to 2024

Year	IHSG value	Increase / Decrease
2019	6,299.539	1.7%
2020	5,979.073	-5.1%
2021	6,581.482	10.1%
2022	6,850.619	4.1%
2023	7,272.797	6.2%
2024	7,079.905	-2.7%

Source: processed from BEI statistical report data (2025)

Table 1 shows a 5.1% decline in 2020 and a 2.7% decline in 2024. These fluctuations indicate that the value of listed companies on the IDX Main Board index also experienced similar fluctuations. Nevertheless, IHSG has generally experienced an increase, so companies need to increase their value to align with the growth of the stock market index. This way, companies can remain competitive in the stock market.

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Firm value represents investors' perceptions of management's ability to manage entrusted assets, which is often linked to share price. Corporate value is crucial because growth in corporate value typically accompanies increases in share price, reflecting increased shareholder wealth (Nurmansyah et al., 2023). Previous study has indicated that firm value can be effected by various factors for example funding decision, investment decision, dividend policies, and liquidity.

The first factor that can affect firm value is the funding decisions. Funding decisions relate to the selection of funding sources that an entity uses to carry out its operations and investments. Funding sources can be obtained internally, such as retained earnings, or externally, debt or share issuance. An optimal combination of funding decisions is crucial to increasing a firm value (Bahrun et al., 2020). Numerous previous research have examined the effect of funding decision on firm value, but the results have been inconsistent. Previous research found that funding decisions have a proven effect on firm value (Bahrun et al., 2020; Fitiriawati et al., 2021; Ichsan, 2022; Sugiyarti & Ramadhani, 2019). Meanwhile, research by Zikri & Albeta (2025) found no effect of funding decisions on firm value.

The second factor affecting firm value is investment decisions. Making an investment choice involves choosing one or several investment options, whether they are physical assets or non-physical, in order to attain a lucrative return (Yuliana & Kholilah, 2019). When investment decisions are made appropriately, they are reflected in optimal company performance. Selecting the right investment is not easy, as it requires careful consideration. Focusing solely on financial information doesn't guarantee the right decision (Devi et al., 2017). Although many previous studies have explored the effect of investment decision on firm value, they have yielded inconsistent results. Investment decision have a shown impact on firm value, according to earlier research. (Amelia et al., 2024; Fitiriawati et al., 2021; Ichsan, 2022; Purba et al., 2020; Suteja et al., 2023; Zikri & Albeta, 2025). Meanwhile, research by Bahrun et al. (2020) found no effect of investment decisions on firm value.

Dividend policy is another factor that impacts firm value. Dividend policy regulates the amount of profits that will be distributed, how the profits will be distributed, and the steps taken if the profits are retained as a source of firm funding (Hartanti et al., 2025). While numerous previous research have explored the effect of dividend policy on firm value, they have yielded inconsistent results. Previous research showed that dividend policy has a effect positively to firm value (Bahrun et al., 2020; Fitiriawati et al., 2021; Hartanti et al., 2025; Ovami & Nasution, 2020; Sari & Suwitho, 2023; Sugiyarti & Ramadhani, 2019; Zikri & Albeta, 2025). Research by Ichsan (2022); Syahla & Mochtar (2024) revealed that dividend policy has no significant effect on firm value.

Apart from the aforementioned three variables, liquidity is another important factors that determines the value of a company. This happens because it shows a company's capacity to satisfy its short-term responsibilities, potentially leading to an increase in stock prices. The value of the company is increasing due to the higher stock prices (Setiawati et al., 2016). While numerous studies have assessed the impact of liquidity on firm value, the outcomes have been inconsistent. Studies by Aji & Atun (2019); Ganggi et al. (2023); Sari & Suwitho (2023); Sasauw et al. (2022); Syahla & Mochtar (2024); Wiadnyani & Artini (2023) all state that liquidity effects firm value. Meanwhile, research by Tamaka et al. (2023) states that liquidity has no affect firm value.

Banking is a vital part of a country's economic system. The decline or improvement of banking performance in a country can be a benchmark for its progress. The more developed a country becomes, the greater the role of banking, and the greater its need for both the government and the public. A company must be healthy and consistently profitable each year, and banking is no exception (Susilawati, 2019). Meanwhile, Finance Minister Purbaya Yudhi Sadewa announced on Friday, September 12, 2025, that the government would begin

disbursing Rp 200 trillion to five state-owned banks. This policy is considered a strategic measure aimed at enhancing banking liquidity and stimulating economic growth. (Kementerian Keuangan Republik Indonesia, 2025).

Picture 1
Banking stock valuation after capital injection

Emiten	Current Price	Fair Value	Under/Overvalued	PBV	PER (industry bank avg PER 16,4)
PT Bank Mandiri (Persero) Tbk (BMRI)	4,520	5,240	13,7% (undervalued)	1.70	7.50
PT Bank Negara Indonesia (Persero) Tbk (BBNI)	4,520	4,129	9,5% (overvalued)	1.10	8.10
PT Bank Rakyat Indonesia (Persero) Tbk (BBRI)	4,180	4,680	10,7% (undervalued)	2.00	11.10
PT Bank Syariah Indonesia Tbk (BRIS)	2,690	1,686	59,5% (overvalued)	2.60	17.30
PT Bank Tabungan Negara (Persero) Tbk (BBTN)	1,410	1,073	31,4% (overvalued)	0.60	6.20

Source: CNBC Indonesia (2025)

Figure 1 indicates that PT Bank Tabungan Negara has the lowest Price-to-Book Value (PBV), falling below one, while the other four banks have already reached their fair value levels. In addition, only PT Bank Syariah Indonesia records a Price-Earnings Ratio above the industry average of 16.4. With the cash injection and potential for increased credit growth, banking is expected to be the next cycle driver of the IHSG

Table 2
Price to Book Value (PBV) of himbara banks for 2021-2024

Year	BMRI	BBRI	BBNI	BBTN	BRIS
2021	1.47	2.13	0.99	0.85	2.94
2022	1.83	2.46	1.22	0.67	1.77
2023	2.00	1.94	1.29	0.57	2.07
2024	1.69	1.91	0.97	0.49	2.79

Source: processed by researchers based the company's annual report (2025)

Table 2 illustrates that the PBV of the five state-owned banks listed on IDX fluctuated, with a downward trend between 2021 and 2024. This has the potential to lower investor confidence in the firm, although the fluctuations are not significant, but could lead to losses. In banks with complex financial structures and strict regulations, factors such as liquidity, dividend policy, funding decision, and investment decisions are crucial in shaping firm value.

Based on the above description, there are at least four factors that are further analyzed in this study to identify variables that can effect firm value. The four factors examined are liquidity, funding decision, investment decision, and dividend policy. In addition, this research incorporates a moderating variable, namely firm size, as it has the potential to enchange or reduce the impact of the independent variables on firm value. Firm size refers to the scale or value used to classify a firm as large or small based on various criteria (Ilmi & Wafiroh, 2025). Firm size is selected because companies of varying sizes whether large or small can attract positive investor responses and support business growth, ultimately enhancing firm value. (Ermawati & Agustino, 2025).

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This research was conducted as an extension of a previous study by Bahrun et al. (2020). The main difference lies in the inclusion of a moderating variable, namely firm size, which was previously included in Bahrun et al. (2020) study. Firm size serves as a control variable. This study also builds on previous research findings that showed inconsistent results regarding the effect of liquidity, funding decision, investment decision, and dividend policy on firm value. This study aims to bridge this gap by utilizing previously studied variables. Therefore, this research ontributes to the advancement of academic studies on the concept of firm value. It is also expected to benefit companies, investors, and other stakeholders in understanding strategies that can increase firm value.

Signaling Theory

Signal Theory, introduced by Michael Spence in 1973. This theory describes how the sender of information may change signals into information that is useful for the person who receives it (Mahendra & Daljono, 2023). conveying signals to investors about what they anticipate concerning the company's forthcoming performance. (Brigham & Houston, 2019). According to signaling theory, investors will react differently to information that a company communicates. both positive and negative, thus influencing stock price movements. When management provides signals reflecting good news, this tends to encourage share prices to rise. Conversely, signals indicating bad news can lower a company's share price. This theory emphasizes that management uses various forms of information to convey their views on the company's future prospects. Through signals such as liquidity, investment decisions, fundingdecisions, and dividend policies, companies attempt to convey relevant information to shape investor perceptions and ultimately effect the firm value. Information previously unknown to the market, including future growth opportunities, can be revealed through these signals to increase trust and attract investor interest (Gidus & Kurniawan, 2025)

Hypothesis Development

The Effect of Liquidity on Firm value

A company's liquidity level can be seen from the size of its current assets. A higher firm value is correlated with increased liquidity. A company with high liquidity demonstrates it's ability to repay current liabilities and reflects good performance. This conveys a positive signal to investors, encouraging greater interest in making investments. Consequently, the firm's stock price gradually increases, thereby enhancing firm value (Ganggi et al., 2023). This is reinforced by signaling theory, the level of liquidity affects how investors make investment decisions. Prior studies have demonstrated that liquidity significantly and favorably affects corporate value (Ganggi et al., 2023; Ichsan, 2022; Sari & Suwitho, 2023; Sasauw et al., 2022; Syahla & Mochtar, 2024). Meanwhile, a study conducted by Aji & Atun (2019); Wiadnyani & Artini (2023) shows that liquidity has a significantly decreases firm value, Based on these findings, the hypothesis formulation that can be purposed is:

H_1: Liquidity has an effect on firm value

The Effect of Funding decisions on Firm value

According signaling theory, Giving managers and investors clear, reliable signals can help reduce the knowledge gap between them, managers will provide information, including information about the company's funding decisions (Bahrun et al., 2020). In banking, a large portion of a bank's debt and liabilities consists of third-party funds, which typically consist of savings, time deposits, and checking accounts. If these third-party funds are not balanced with careful and prudent credit distribution, the bank's risk can potentially increase, leading investors to lose confidence. Furthermore, a high level of third-party funds not channeled into credit signals ineffective bank management. This indicates a bank's poor future prospects, which will lead to a decline in its value. Bahrun et al. (2020) stated that increasing debt

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indicates a company's ability to repay debt in the future. Therefore, increasing debt is a positive signal. If funding is done with debt, the firm value will increase due to tax reductions. When calculating taxable income, companies can account for interest paid to creditors, which will result in lower tax payments. Previous research has shown that funding decisions effect firm value (Bahrun et al., 2020; Fitiriawati et al., 2021; Ichsan, 2022; Sugiyarti & Ramadhani, 2019). As a result, the hypothesis formulation that can be purposed is:

H_2: Funding decisions have an effect on firm value.

The Effect of Investment decision on Firm value

Investment decisions reflect the company's capability to effectively manage funds optimally to achieve maximum profits, while market reactions will affect the firm value (Amelia et al., 2024). Based on Signaling Theory, positive investment decisions can signal The potential for future expansion of the company, which in turn will drive share prices up and increase firm value. The influence of investment decisions is seen in earnings that are proportional to the company's investments (Purba et al., 2020). Suhendar & Paramita (2024) states that investment decision can have a positive impact on firm value if managers are able to allocate funds appropriately to productive assets that support the company's activities. Effective allocation will generate future profits while increasing the firm value. High investment decision are perceived by the market as a form of trust that financial managers have allocated funds to the right instruments. Investors consider this as an indication that the business has promising and lucrative future potential, which boosts the firm's worth. As a result, wise investment choices will raise the company's worth. Additionally, prior studies demonstrate that investment choices increase firm value (Amelia et al., 2024; Fitiriawati et al., 2021; Ichsan, 2022; Purba et al., 2020; Suhendar & Paramita, 2024; Suteja et al., 2023; Zikri & Albeta, 2025). Therefore, the hypothesis formulation that can be proposed is:

H_3: Investment decisions have an effect on firm value.

The Effect of Dividend Policy on Firm value

Management chooses whether to keep corporate profits for internal operations or distribute them as dividends to shareholders. This decision is known as dividend policy (Hartanti et al., 2025). If more investors invest in a company, its stock price can rise, increasing its value (Ovami & Nasution, 2020). A company or bank with an unstable dividend payout ratio, especially if it tends to decline year after year, will send signal negative to investors. That condition has the potential to lower share prices and reduce the firm value. Generally, dividend payments are considered a signal regarding a company's or bank's future prospects. Investors generally perceive that higher dividends reflect stronger company prospects. However, if a significant amount of a business's earnings are set aside for dividend payments, the company risks experiencing limited funds for working capital and operational funding in the following period, which can ultimately depress the firm value (Suhendar & Paramita, 2024). Because investors seek security in their investments and worry about bankruptcy, companies providing high dividends are likely to earn stronger confidence from investors (Sugiyarti & Ramadhani, 2019). In addition, previous studies by Bahrun et al. (2020); Fitiriawati et al. (2021); Hartanti et al. (2025); Ovami & Nasution (,2020); Sari & Suwitho (2023); Sugiyarti & Ramadhani (2019); Zikri & Albeta (2025) showed that dividend policy affects firm value. Therefore, the following hypothesis can be purposed :

H_4: Dividend policy has an effect on firm value.

Firm Size Moderates the Effect of Liquidity on Firm Value

As Stated by Nur (2019) liquidity and business investment behavior are related. In general, larger companies are viewed as being better equipped to handle liquidity limitations when it comes to making investment choices. Well-directed investments, in turn, can enhance firm value. Previous studies also indicate that the effect of liquidity on firm value may be

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moderated by firm size (Ermawati & Agustino, 2025). Therefore, the following hypothesis can be purposed:

H_5: Firm size is able to moderate the effect of liquidity on firm value

Firm Size Moderates the Effect of Funding Decisions on Firm Value

Large companies typically have an easier time obtaining funding through capital markets and banking. This ease allows businesses to obtain capital for investments that can increase profitability. Therefore, firm size effects funding decisions (Ichsan, 2022). Ichsan's (2022) research found that Firm size can moderate the impact of funding decisions on firm value. Consequently, the following hypothesis is formulated:

H_6: Firm size is able to moderate the effect of funding decisions on firm value

Firm Size Moderates the Effect of Investment Decisions on Firm Value

Firm size can be proxied by the company's total asset, tax burden, total sales, and profit, reflecting an issuer's operational and financial capacity. Larger firms usually have broader access to financing sources and are better positioned to spread their investments, making their investment decisions more likely to positively impact firm value. Conversely, for smaller companies, resource constraints can limit the effectiveness of investment decisions. Therefore, in this study, firm size is positioned as a moderating variable that has the potential to strengthen or weaken the effect of investment decisions on firm value (Fitiriawati et al., 2021). Furthermore, research by Fitiriawati et al. (2021); Ichsan (2022) indicates that firm size is able to moderate the effect of investment decisions on firm value. Therefore, the following hypothesis can be formulated:

H_7: Firm size is able to moderate the effect of investment decisions on firm value

Firm Size Moderates the Effect of Dividend Policy on Firm Value

Implementing a dividend policy is one strategy to raise the value of the firm. Due to their market dominance and ability to make profits, Large corporations have the ability to distribute dividends to their investors. Higher dividend distributions generally attract investors to purchase shares of the company. According to Apriliyanti et al. (2019), a rise in share price signals an increase in firm value. Previous research also show that firm size can affect the relationship between dividend policy and firm value. (Fitiriawati et al., 2021; Sari & Suwitho, 2023). Therefore, The following is a possible formulation of the hypothesis:

H_8: Firm size is able to moderate the effect of dividend policy on firm value.

RESEARCH METHOD

Research Design

The methodology employed in this study is quantitative in nature and involves the collection of data. In this study, a company's value is identified as the primary focus, and the indicator used to assess company value is the Price-to-Book Ratio (PBV) (Sulistiyo & Yuliana, 2019)

Participants/Sample Selection and Data Sources

In this research, the sampling method used was purposive sampling, determined by the following criteria:

Table 3
Sample Selection Criteria

No	Criteria	Amount
1	Banking sub sector companies listed on the IDX in 2021-2024	47
2	Banking companies that did not publish Financial Reports as of December 31 for the period 2021-2024	(1)
3	Banking companies that experienced losses for the period 2021-2024	(16)

4	Banking companies that did not distribute dividends for the 2021-2024 period	(13)
	Number of Samples	17
	Total number of research data (17 companies x 4 years)	68

Source: Processed by researchers (2025)

Table 3 presents the established sampling criteria, resulting in a sample size of 17 companies from the banking sector.

Research Location

This research was conducted on banking companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2024 period. The data were collected from the official IDX website. https://www.idx.co.id, which contains financial and annual reports taken from each banking company's official website.

Data Analysis/Estimating Model/Variable Measurement

This study employed analytical methods including descriptive analysis, panel data regression analysis, and Moderated Regression Analysis (MRA). This analysis aims to evaluate how the independent variables affect the dependent variable based on numerical data. The following are the variable measurement indicators based on previous research:

Table 4
Operational Definition of Variables

Variables	Variable Indicator	Source
Firm value (Y)	Price to Book Value (PBV) $\frac{\text{Market Price per Share}}{\text{Book Value per Share}}$ x 100%	(Bahrun et al., 2020)
Liquidity (X1)	Loan to Deposit Ratio (LDR) $\frac{\text{Total Loans}}{\text{Total Deposits}}$ X 100%	(Sasauw et al., 2022)
Funding decisions (X2)	Debt to Equity Ratio (DER) $\frac{\text{Total Liabilty}}{\text{Total Equity}}$	(Bahrun et al., 2020; Ichsan, 2022; Rimananda & Prajonto, 2022; Salama et al., 2019; Sugiyarti & Ramadhani, 2019)
Investment decisions (X3)	Price Earning Ratio (PER) $\frac{\text{Market price per share}}{\text{Earning Per Share}}$	(Amelia et al., 2024; Bahrun et al., 2020; Suhendar & Paramita, 2024; Suteja et al., 2023)
Dividend Policy (X4)	Dividend Payout Ratio (DPR) $\frac{\text{Dividend per Share}}{\text{Earning per Share}}$ x100%	(Bahrun et al., 2020; Hartanti et al., 2025; Ovami & Nasution, 2020; Sugiyarti & Ramadhani, 2019)
Firm size (Z)	Firm size Ln (Total Assets)	(Hartanti et al., 2025)

Source: processed by researchers (2025)

RESULT AND DISCUSSION

The results of hypothesis testing using the Fixed Effect Model (FEM) are as follows:

Table 5
Panel Data Regression Hypothesis Test Results

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.806882	1.046471	-2.682237	0.0101

LDR	1.130818	0.636325	1.777108	0.0820
DER	2.562417	0.725378	3.532526	0.0009
PER	0.047255	0.010949	4.316020	0.0001
DPR	0.167306	0.502911	0.332676	0.7409

Source: processed by researchers (2026)

The findings from the Moderated Regression Analysis (MRA) aimed at establishing if the moderating variable could amplify or reduce the effect of the independent variable on the dependent variable are detailed below:

Table 6
Moderated Regression Analysis (MRA) Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-59.68576	33.54531	-1.779258	0.0824
LDR	16.98600	13.60008	1.248964	0.2186
DER	47.68627	18.13840	2.629023	0.0119
PER	1.561190	0.354944	4.398407	0.0001
DPR	-16.63851	10.74041	-1.549150	0.1288
SIZE	1.794745	1.036111	1.732194	0.0906
LDR*SIZE	-0.509860	0.421375	-1.209991	0.2330
DER*SIZE	-1.404708	0.560239	-2.507339	0.0161
PER*SIZE	-0.045968	0.010776	-4.265709	0.0001
DPR*SIZE	0.518429	0.320074	1.619715	0.1128

Source: processed by researchers (2026)

The Effect of Liquidity on Firm value

Table 5 indicates that liquidity (LDR) exhibits a significance level of 0.0820. This significance value is higher than 0.05, so the H1 hypothesis that "liquidity affects firm value" is rejected. The results reveal that firm value is unaffected by either high or low liquidity levels, aligning with Tamaka et al. (2023) who show no impact of liquidity on firm value, but are not in line with Aji & Atun (2019); Ganggi et al. (2023); Sari & Suwitho (2023); Sasauw et al. (2022); Syahla & Mochtar (2024); Wiadnyani & Artini (2023) who stated that liquidity affects firm value.

The Effect of Funding decisions on Firm value

Table 5 indicates that the funding decisions hold a significance level of 0.0009. This value of significance is below 0.05, so the H2 hypothesis that "funding decisions affect firm value" can be accepted. This result indicates that the high or low level of funding decisions affects firm value. The results of this study are consistent with the findings of Bahrun et al. (2020); Fitiriawati et al. (2021); Ichsan (2022); Sugiyarti & Ramadhani (2019) but not in line with the research conducted by Zikri & Albeta (2025) which stated that funding decisions do not affect firm value.

According to the results, investors consider funding decisions an important factor when investing in a firm. There are several reasons for this. First, Utilizing debt financing can signal positively that the company intends to grow its business. A high DER value reflects the company's substantial debt, which can be utilized as capital to run and develop its operational activities. Second, debt funding also indicates the company's capacity to fulfill its future obligations. This indicates that management has confidence in how the company is performing, which is expected to improve in the future. Third, funding decisions that emphasize the use of debt encourage managers to perform more optimally, as debt creates future obligations, namely principal and interest payments. Fourth, Incorporating debt into a company's capital structure

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leads to the incurrence of interest expenses, This might reduce the company's tax liability because they are tax deductible expenses. Furthermore, Debt funding does not alter ownership of shares since it does not require issuing additional shares, thus maintaining the percentage of investor ownership. Furthermore, companies can also achieve efficiency by reducing the amount of tax they must pay (Bahrun et al., 2020).

The Effect of Investment decisions on Firm value

Investment decisions have a significance level of 0.0001, as Table 5 demonstrates. The H3 hypothesis that "investment decisions affect firm value" can be accepted because this significance value is less than 0.05. The results of this study are consistent with the findings of Amelia et al. (2024); Fitiriawati et al. (2021); Ichsan (2022); Purba et al. (2020); Suhendar & Paramita (2024); Zikri & Albeta (2025); Suteja et al. (2023), but not in line with research by Bahrun et al. (2020) who argue that investment decisions have no impact on firm value. The current study shows that investment decision affected firm value, as they demonstrate efficient resource allocation, support sustainable growth, and create opportunities for higher profits. This improves investor confidence and fortifies the business's position in the market, thus positively impacting the company's overall valuation.(Amelia et al., 2024)Investment decisions are made by companies with the goal of optimizing profits and improving future performance, essentially driving growth and achieving corporate goals. According to signaling theory, investment expenditures convey positive signals to investors, It can lead to higher share prices and an increase in the company's value.

The Effect of Dividend Policy on Firm value

Dividend policy has a significance level of 0.7409, as Table 5 demonstrates. The H4 hypothesis that "dividend policy affects firm value" is rejected because this significance value is higher than 0.05. The study's findings are consistent with those of Ichsan (2022); Syahla & Mochtar (2024) who stated that dividend policy has no effect on firm value. but not in line with research by Bahrun et al. (2020); Fitiriawati et al. (2021); Hartanti et al. (2025); Ovami & Nasution (2020); Sari & Suwitho (2023); Sugiyarti & Ramadhani (2019); Zikri & Albeta (2025) who stated that dividend policy has been proven to have an effect on firm value. The decision regarding the use of a company's profits, whether to distribute them as dividends, retain them as retained earnings, or use them to increase capital, does not directly affect the firm value. When a company chooses to retain profits and not distribute them to shareholders, investors often interpret this as a negative signal that could potentially lower the firm value (Syahla & Mochtar, 2024). Dividend policy has no effect stock prices, since a company's value is primarily driven by its revenue-generating capability.

Firm Size Moderates the Effect of Liquidity on Firm Value

The relations between firm size and liquidity has a significance level of 0.2330, as table 6 demonstrates. Since the significance value is higher than 0.05, the hypothesis that "Firm size can moderate the effect of liquidity on firm value" (H5) is rejected. This implies that firm size, regardless of size, does not alter the link between liquidity and firm value. This is because both large and small banks are under strict supervision and have an obligation to maintain liquidity stability. In other words, firm size does not provide an additional effect in explaining how liquidity effects firm value.

Firm Size Moderates the Effect of Funding Decisions on Firm Value

The interaction term variable between funding decision and firm size has a significance level of 0.0161, as Table 6 demonstrates. The hypothesis that "Firm size can moderate the effect of funding decisions on firm value," H6, is accepted because the significance value is less than 0.05. The study's findings support those of Ichsan (2022), who found that firm size can mitigate the impact of funding choices on firm value. Large businesses typically find it easier to obtain funds through banking institutions and capital markets. This ease makes it possible for companies to raise money for profitable investments.

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Firm Size Moderates the Effect of Investment Decisions on Firm Value

The interaction variable between investment decision and firm size has a significance level of 0.0001, as Table 6 demonstrates. The hypothesis that "Firm size can moderate the effect of investment decisions on firm value" (H7) can be accepted because the significance value is less than 0.05. The study's findings corroborate those of Fitiriawati et al. (2021) and Ichsan (2022), who demonstrate that business size can lessen the effect of investment decisions on firm value.. If issuers are able to make appropriate investment decisions, this can effect investor interest in investing. In addition, large-scale companies tend to have more investment opportunities due to their competitive advantages, such as easy market access, ease of obtaining external funding, and greater flexibility in making investments (Fitiriawati et al., 2021).

Firm Size Moderates the Effect of Dividend Policy on Firm Value

Table 6 shows that the interaction between dividend policy variable and firm size variable has a significance level of 0.1128. The H8 hypothesis that "Firm size is able to moderate the effect of dividend policy on firm value" is rejected since the significance value is less than 0.05. The study's findings support those of Apriliyanti et al. (2019), who found that business scale cannot mitigate the impact of investment choices on firm value. This is because a company's size has no direct impact on its dividend payments or value growth. Big businesses don't always pay out larger dividends than smaller ones. Large companies do not necessarily distribute higher dividends than smaller companies. The dividend amount itself is determined through a company meeting decision, whether to increase, decrease, or even not distribute it at all. This decision is part of the company's strategy for managing profits, whether allocated to investments, operational costs, asset purchases, or distributed to shareholders as dividends. Furthermore, even relatively new companies with small total assets may choose to distribute large dividends as a strategy to attract investors and increase competitiveness in the market (Apriliyanti et al., 2019)

CONCLUSION

Based on the analysis and discussion, it can be concluded that liquidity has no effect on firm value. Meanwhile, funding decisions have an effect on firm value, investment decisions have an effect on firm value, while dividend policy has no effect on firm value. As a moderating variable, firm size is unable to moderate the effect of liquidity and dividend policy on firm value. However, firm size does moderate the effect of funding and investment decisions on firm value. This indicates that the larger the firm size, the stronger the effect of funding and investment decisions on firm value. Overall, the study's findings support the notion that internal business factors, specifically, funding and invesment decisions are the primary determinants of firm value, especially in Indonesia's banking industry. Researchers in the future are advised to explore additional variables influencing firm value and to enhance the study by widening the sector coverage or extending the research duration.

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