International Journal of Accounting & Finance in Asia Pasific (IJAFAP)
Vol. 7 No. 3, pp. 446-460, October, 2024
E-ISSN: 2655-6502 P-ISSN: 2684-9763
https://www.ejournal.aibpmjournals.com/index.php/IJAFAP

How the Macroeconomic and Financial Structure Affects the Firm Value of a Large Telecommunication Company in Indonesia

Hanung Tyas Saksono[1], Agus Maolana Hidayat[2*], Sita Deliyana Firmialy[3]
Faculty Economics and Business, Telkom University[1,2,3]
Jl. Telekomunikasi No.1, Dayeuhkolot, Bandung, West Java, Indonesia
Corresponding Author: agusmh@telkomuniversity.ac.id[2]

ARTICLE INFORMATION

Publication information

Research article

HOW TO CITE
Saksono, H. T., Hidayat, A. M., & Firmialy, S. D. (2024). How the macroeconomic and financial structure affects the firm value of a large telecommunication company in Indonesia. *International Journal of Accounting & Finance in Asia Pasific, 7*(3), 446-460.

DOI:
https://doi.org/10.32535/ijafap.v7i3.3606

Received: 16 August 2024
Accepted: 17 September 2024
Published: 20 October 2024

ABSTRACT

TELKOM's strategic initiative, referred to as 5BM, acknowledges the company's considerable assets but notes that it has not yielded substantial profits. To address this, TELKOM has devised this strategy to improve its firm value. This study seeks to contribute to this goal by conducting research focused on analyzing the company's financial structure and evaluating the effects of financial structure, considering macroeconomic factors like interest rates, to enhance its overall value. The research employs a quantitative approach, using TELKOM's financial data from 2014 to 2024, with variables such as firm size, liquidity ratio, leverage ratio, investment opportunity, efficiency level, profitability, and interest rates. The study applies multiple linear regression to assess the relationships between these independent variables and firm value, using Tobin's Q as a measure of firm value. Descriptive statistical analysis is also conducted to summarize the characteristics of each research variable. Findings reveal that leverage negatively affects firm value, while firm size, liquidity, investment opportunity, efficiency level, and profitability have positive impacts. Although interest rates and dividend policy also contribute to firm value, their effects are not statistically significant. These results provide insights into the importance of TELKOM's financial structure in enhancing its market valuation.

Keywords: Dividend Policy; Firm Size; Firm Value; Interest rate; Solvability

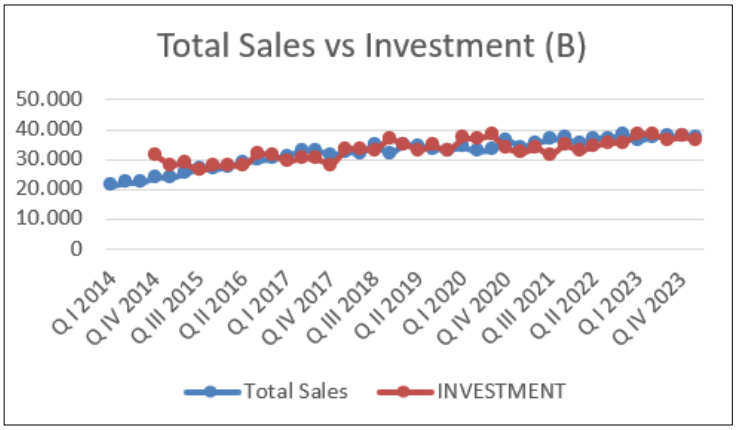
INTRODUCTION

The three portfolio strategies of TELKOM are digital services, digital platforms, and digital connectivity. The company is evolving into a digital telecommunications enterprise, with the ultimate goal of becoming a fully digital corporation. This approach highlights how TELKOM's operations are divided into three business groups, which are then integrated across its subsidiaries. Each subsidiary operates according to these three strategic portfolio directions. TELKOM's digital business domains are categorized as follows: Digital Connectivity (Network Function Virtualization [NFV], 5G, Fiber to the x [FTTx], Software Defined Networking [SDN], and satellite); Digital Platform (Cybersecurity, Big Data, Internet of Things, Cloud, and Data Center); and Digital Services (for both Consumer and Enterprise markets).

Across all three companies, digital connectivity revenue accounted for 79% of TELKOM's total consolidated revenue. This suggests that even if TELKOM has opened up commercial potential in the platform and digital services industries, the corporation still has big goals for the connection business space.

However, between 2014 and 2024, TELKOM and other telecom companies need to be especially aware of the fact that the growth of CAPEX (capital expenditure) will continue to pick up speed. Figure 1 below shows TELKOM's capital expenditure (CAPEX) trajectory, which shows a 17% increase from 2014 to 2024.

Figure 1. The Investment Pattern for Telkom from 2014 to 2024



Source: TELKOM's financial report between 2014-2024 (Stockbit, 2024)

This demonstrates that a telecommunications provider's annual expenditure on telecom infrastructure assets rises by 2%. TELKOM's CAPEX increased by almost 17% from 31.158B in 2014 to 36.418B in 2024, despite their revenue increasing by nearly 70% from 21.250B in 2014 to 37.429B in 2024. In terms of spending and revenue, a similar amount of almost 30.000B was found. If TELKOM does not take any steps to increase productivity, aggressively increase sales, or create new goods, its financial status could deteriorate, which could ultimately result in a decrease in TELKOM's worth. Management should consider taking this warning indication into account.

This is advantageous since it gives the provider access to more assets that may be used to service all of its clients, who are dispersed over multiple locations. However, it also raises red flags if those assets are not employed effectively. This implies that a larger asset base that is not occupied to its full potential will result in inefficiencies and financial losses for the company. As assets get older and more seasoned, maintenance expenses will inevitably come up. Maintenance expenses for security, insurance, and upkeep are still necessary for unused assets. Naturally, this will have a negative impact on the

company's finances and profitability. Additionally, the inability of the assets to be sold, occupied, or used to their full potential will prevent them from producing a sizable amount of money, which could result in revenue loss for the company. This will impede the company's expansion and restrict its capacity to make investments in cutting-edge services and new technologies.

The Five Bold Moves (5BM) strategy is TELKOM's corporate approach to seizing opportunities, boosting competitiveness, and creating value as it faces and overcomes obstacles in 2024. The goal of this approach is to add value for the long-term viability of a profitable and competitive business. The first 5BM strategy, called Fixed Mobile Convergence, aims to spin off—that is, separate the business—the retail internet business from Telkom's parent company to its subsidiary, Telkomsel. This will allow fixed and mobile broadband services to eventually be provided by a single entity, offering the best broadband services at the most competitive price. Infraco fiber is 5BM's second tactic. Here, wealth will be unlocked, particularly in the area of fiber-based telecommunications infrastructure. Fiber equipment from TELKOM is currently dispersed across Indonesia. These days, all TELKOM customer segments—retail, business and enterprise, and wholesale—receive end-to-end services through the use of these devices.

It is anticipated that TELKOM will have a very large and significant valuation in accordance with the number of assets it owns and the goal of infraco implementation in 5BM. This will allow TELKOM to attract investors and be more aggressive and agile in meeting customer demand throughout Indonesia with its entire fiber infrastructure. Making wise financial selections can be aided by correct valuation. Investors can determine if a company is fairly valued, overvalued, or undervalued using valuation or company value. Investor risk management can also be aided by the availability of this company value. Potential profits and losses from investing in the company might be evaluated by investors.

Ultimately, a corporation that has a high worth or valuation may effectively monetize its assets to meet the needs of all of its clients. Naturally, this will also benefit all parties involved, including their employees' welfare.

As previously mentioned, TELKOM's strategic objective, known as 5BM, recognizes its substantial assets, yet it has not generated significant profits. As a result, TELKOM develops this strategy to gain firm value. The author aims to enhance the firm's value by conducting this research and providing a financial structure analysis. This study will highlight the significance of specific financial structures, including firm size, solvability, liquidity, investment opportunities, efficiency level, dividend policy, and profitability, while also taking the macroeconomy as consideration for increasing the valuation.

LITERATURE REVIEW

If a company can demonstrate strong financial performance and attain an optimal and sustainable improvement in its performance, then the public, shareholders, and investors will place greater trust in the organization. The organization can enhance its performance in a number of ways, including maintaining and enhancing its overall health, creating high-quality goods and services, developing and adjusting to new technology, upholding its customer relationships, and more.

For shareholders, the government, management, and other interested parties, assessing a company's success is crucial, particularly in light of its worth and financial performance. The welfare they will receive from the worth and performance of the company is one of the effects. The company's financial performance has an impact on both internal and

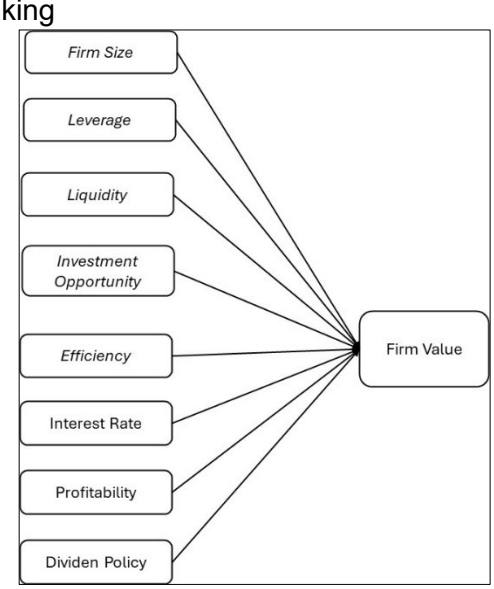
external decision-making processes. The more the company performs financially, the more it will be assisted in accomplishing the aims of the entire organization. Business financial health can reveal a great deal about a company's general state of affairs. Financial managers must decide what objectives need to be met in order to make the right financial decisions. The corporation wants to maximize its worth for investors, management, and shareholders. A private company's worth will become apparent if it is sold, and it can be determined by looking at factors such as total assets, company prospects, business risks, business climate, and more. The value of a public company can be expressed by its stock price.

The process of examining financial ratios, including profitability, activity, solvency, and liquidity ratios, can assist shareholders and management in assessing the company's financial performance and health. The authors of this study employed a number of financial ratios, such as the business value (Tobin's Q), efficiency level (TATO), investment opportunities (PER), profitability (ROE), liquidity ratio (CR), solvency ratio (DER), and company size (sales).

It is possible to determine whether the company is growing each quarter based on the financial indicators it has by looking at the findings of the financial ratio analysis. Additionally, the research can be used to determine whether the Company's value changes are closely related to shareholders, management, and investors. The analysis's findings may lead to an assessment, an increase in the company's worth and financial performance, and the mitigation of unwarranted risks.

Drawing on the previously mentioned description and theoretical framework, the following frame of thinking is put forth in this study in Figure 2.

Figure 2. Frame of Thinking



Hypotheses Development

H1: There is a Substantial Positive Correlation Between Firm Size and Firm Value

The firm value may be impacted by factors such as company size. As to the information provided by Suwardika and Mustanda (2017), company size gives a general idea of the firm's size based on equity, sales, and total assets. It will be simpler for the public to identify a major company. Larger companies are also thought to be in better financial standing than smaller companies. Because the public is more familiar with the products and services that large corporations offer, their market is larger. The company may make more money as a result. Increased returns for shareholders will result from these

earnings, and this will ultimately affect their well-being. Larger businesses also have an easier time gaining the trust of creditors in order to secure funding sources. As a result, firm value may rise (Suwardika & Mustanda, 2017). The findings of the study carried out by Husna and Satria (2019) corroborate this. demonstrating that the value of a corporation is significantly impacted by its size.

H2: There is a Substantial Negative Correlation Between Leverage and Firm Value

One of the elements that may have an impact on business value is the leverage ratio. The amount of debt used to fund a business is measured by its leverage (Dewi & Abundanti, 2019). A company can borrow capital—that is, debt—in order to use leverage to increase profits. The ability to settle all obligations that will mature in the future can be understood as a company's usage of debt. This may cause the market to react favorably. On the other hand, the hypothesis of this study is that leverage reduces business value. This is due to the fact that taking on more debt may lower performance, which is why internal funding is preferable to external financing when it comes to operating expenditures (Nikmah & Hung, 2024). Businesses with high debt ratios have to use a portion of their revenue to pay for high-interest expenses.

H3: There is a Substantial Positive Correlation Between Liquidity and Firm Value

The ability of a business to pay down its short-term debt is referred to as liquidity. Since a corporation with high liquidity can pay off its short-term debt, which tends to reduce total debt and result in a smaller capital structure, one could claim that liquidity influences capital structure. Pecking Order Theory states that management would prefer to finance projects first with retained earnings, next with debt, and lastly with the sale of additional shares (Reschiwati et al., 2020). Consequently, the liquidity ratio serves as a gauge of the company's capacity to settle all of its outstanding loans. Low liquidity conveys a bad impression of the company's competence, which undermines investor trust and reduces the value of the business. Research from Jihadi et al. (2021) and Reschiwati et al. (2020) supports this. The current ratio in this study serves as a representation of the liquidity.

H4: There is a Substantial Positive Correlation Between Investment Opportunity and Firm Value

Opportunities for corporate investment are a significant part of a company's value. This is because the perspectives of creditors, owners, investors, and managers of enterprises are influenced by investment prospects (Serna, 2023). Demand for shares will rise as expanding companies convince investors they may increase their ownership in the business (Haryetti & Ekayanti, 2012). Increasing market share demand will also boost the company's worth. Increasing the company's value might be difficult, especially when it comes to agency problems. Managers have the power to run the business in a way that maximizes shareholder value and company value. Investment opportunity has a favorable and considerable impact on firm value, according to Ajani et al. (2019).

H5: There is a Substantial Positive Correlation Between Efficiency Level and Firm Value

A corporation is seen to be in great health when its total asset turnover is high within a specified timeframe and signals to the market for investors to engage in investing their cash. According to Rinaldo and Endri (2020), the total assets turnover ratio is a measure of a company's capacity to produce revenue from the use of its assets. Furthermore, as stated by Rusdana and Endri (2020), the total assets turnover ratio is a measure of the complete turnover of assets due to its adaptability and capacity to be applied to a broad range of business circumstances. This percentage most accurately illustrates the entire asset turnover's capacity to generate revenue. The higher and more active the asset turnover, the more effectively assets are used to promote the effectiveness of the firm. This could have an effect on the price of shares, raising the company's value. This is

consistent with research showing that the total asset turnover ratio increases business value (Harahap et al., 2020).

H6: There is a Substantial Positive Correlation Between Interest Rate and Firm Value

Raising interest rates could make a company's cost of capital more expensive, which could have a negative impact on profitability and value. Higher interest rates could make it more difficult for a business to raise financing, which would limit its potential to expand. Investors need to consider the current condition of interest rates and how they impact the cost of capital and the company's potential for future growth. The GDP and net interest margin have a significant negative impact on the firm value of Nigerian banks, claim Ebenezer et al. (2019). There exists a large and positive correlation between firm value and both GDP and inflation.

H7: There is a Substantial Positive Correlation Between Profitability and Firm Value

Profitability is just one of the many aspects that affect a company's worth. A company's ability to make a profit while utilizing all of its resources—capital, assets, and sales activities—is measured by its profitability. Profitability can be determined by calculating return on equity, or ROE. ROE is a measure of the return on investment for shareholders. A firm that can give its owners a sizable return is considered profitable. Investors will be drawn to a company with a high profitability ratio. The strong desire of investors to put their money into companies that offer a great return on equity will cause stock prices to climb. As a result, there will be a positive correlation between profitability and stock prices, with high stock prices affecting the value of the company (Hirdinis, 2019). This is consistent with the findings of Damayanti & Sucipto (2022) and Jallow et al. (2022) that profitability significantly increases firm value.

H8: There is a Substantial Positive Correlation Between Dividend Policy and Firm Value

Depending on how many shares they own, firms pay dividends to their shareholders as a return on their investment in the business. One helpful metric for gauging and assessing dividend distribution strategies is the Dividend Payout Ratio (DPR). To calculate DPR, divide the total dividends paid out by the business's profit margin, stated as a percentage. The ability of the business to increase value while simultaneously improving shareholder welfare is demonstrated by a rise in the value of dividends paid to shareholders. In essence, a dividend policy is a promise regarding the amount of profits that are given to shareholders. A greater DPR is better for investors. On the other hand, when the DPR is low and the company's internal finances improve, traders lose out. Dividend payments are expected to satisfy investors' expectations that they will receive a return on their investment even though they are not expected to jeopardize the company's survival (Damayanti & Sucipto, 2022).

RESEARCH METHOD

In this investigation, quantitative methodologies are utilized. Sugiyono (2018) states that the quantitative method can be interpreted as a research approach rooted in positivist philosophy. In order to assess established hypotheses, research instruments for quantitative and statistical data analysis are used in the study of populations or particular samples.

The author utilized the TELKOM financial report for the years 2014–2024 as a supporting resource to examine, evaluate, and draw findings from this study. The resulting financial report gathers quarterly information on investment opportunities (price to earning ratio),

business value (Tobin's Q), efficiency level (total asset turnover), leverage (debt to equity ratio), liquidity (current ratio), and return on equity (ROE).

In this inquiry, it has fulfilled every requirement of the traditional assumption test. Multiple linear regression models are used to show how the dependent and independent variables are related. In hypothesis testing, the t-test is used to determine the effect of each independent variable on the dependent variable (Putri, 2023). Firm size, liquidity ratio, leverage ratio, investment opportunity, total asset turnover ratio, profitability ratio, and interest rates are the independent variables in this study. While the company's worth and profitability serve as the study's dependent variable. The multiple linear regression equation is as follows:

$$FV_{it} = \alpha + \beta_1 FS_{it} + \beta_2 DER_{it} + \beta_3 CR_{it} + \beta_4 PER_{it} + \beta_5 TATO_{it} + \beta_6 IR_{it} + \beta_7 ROE_{it} + e_{it}$$

Descriptions:

FV	= Firm value (Tobin's Q)
FS	= Firm Size
DER	= Debt to Equity Ratio
CR	= Current Ratio
PER	= Price to Earning Ratio (investment opportunity)
TATO	= Total Asset Turn Over Ratio (Efficiency level)
IR	= Interest Rate
ROE	= Return on Equity (Profitability)
α	= Constant number
$\beta_{1...8}$	= Regression coefficient
t	= time series
I	= cross-section
e	= error

This study's analysis of data from the 2014–2024 period made use of descriptive statistics, which offer a summary of each research variable's characteristics as seen from the mean, median, minimum, maximum, range, and standard deviation values. When examining data, a statistic called descriptive analysis is employed to accurately describe the collected data without attempting to make inferences that can be applied to a larger population.

The author employs descriptive analysis to collect, examine, and ascertain developments by presenting data from the elements of firm size, liquidity ratio, leverage ratio, investment opportunity, total asset turnover ratio, interest rates, profitability ratio, and firm value at TELKOM—which includes a public firm and sells its shares on the Indonesia Stock Exchange.

The data used in the study came from secondary sources. Secondary data is information that already exists and does not need to be gathered by researchers. A few sources of secondary data are statistical bulletins, government publications, published information from inside or outside the company, readily available data from previous research, case studies, library resources, online data, websites, and the internet.

A variety of financial statement components, such as balance sheets, profit and loss statements, and cash flow statements, covering the years 2014–2024 make up the data set. The data that was analyzed includes a ratio scale. The ratio scale is a non-absolute starting scale that shows both the size and the proportion of the difference. The forms of the secondary data are (1) The TELKOM quarterly financial statements available on the IDX, (2) Data on firm value (Tobin's Q), ROE, DER, TATO, CR, PER,

DPR, and firm size taken from the financial records of the companies being studied, and (3) The Bank Indonesia webpage displays interest rates.

RESULTS

Table 1. Descriptive Statistics

	FV Y1	FS X1	DER X2	CR X3	PER X4	TATO X5	DPR X6	IR X7	ROE X8
Mean	2,178788	10,36473	0,446585	0,969512	76,68878	0,372683	72,75366	5,408516	5,225854
Median	2,215678	10,40423	0,43	0,93	73,06	0,35	72,38	5,5	5,46
Max	2,944059	10,55665	0,67	1,48	178,43	0,66	91,58	7,67	7,34
Min	1,581901	9,964112	0,29	0,6	44,57	0,13	60	3,5	2,21
Std. Dev	0,350938	0,163668	0,098884	0,238421	24,99495	0,177469	9,633197	1,39313	1,101156
Observ Total	41	41	41	41	41	41	41	41	41

Table 1 shows that the mean (average) value of the TELKOM value for the 2014–2024 period is 2.178788. The outcome is above the standard deviation of 0.350938. This implies that the firm value of TELKOM from 2014 to 2024 is represented by bundled data or data with constant values. Twenty-one of the forty-one data points (> 2.178788) have firm values greater than average. However, the firm value of the remaining twenty data is below average (< 2.178788). Shares of companies with a high firm value—one that is greater than one—are worth more than what it would cost to replace their assets. Stated differently, the shares are too expensive. Additionally, it shows that management is effectively managing the company's assets, which increases the likelihood of investment growth. The company value of TELKOM for the years 2014–2024 has a median value of 2.215678 in Table 1. The lowest value is 1.581901, and the maximum is 2.944059. The highest value was obtained in the second quarter of 2017, and the lowest value was obtained in the third quarter of 2020.

Table 1 shows that the mean (average) company size of TELKOM for the years 2014–2024 is 10.36473. The outcome is above the standard deviation of 0.163668. This suggests that aggregated or constant statistics will serve as the basis for TELKOM's company size from 2014 to 2024. 26 of the 41 data points (> 10.36473) have a company size that is larger than average. On the other hand, the company size of the remaining 15 is below average (< 10.36473). According to Table 1, 10.40423 is the median TELKOM firm size for the years 2014–2024. The smallest value is 9.964112, while the largest number is 10.55665. The highest value is obtained in the second quarter of 2017, while the lowest value is obtained in the first quarter of 2014.

Table 1 displays the mean (average) value of TELKOM's leverage for the period of 2014–2024, which is 0.446585. This figure is higher than the standard deviation of 0.098884. This suggests that aggregated or constant statistics make up the TELKOM solvency ratio for the years 2014–2024. Eighteen (> 0.446585) of the 41 data points have a company size that is larger than average. The remaining 23 data points (0.446585), in comparison, have a firm size that is below average. According to Table 1, TELKOM's solvency ratio has a median value of 0.43 for the years 2014–2024. The greatest value is 0.67, while the lowest is 0.29. The biggest value is obtained in the second quarter of 2020, and the lowest value is obtained in the first quarter of 2024.

Table 1 shows that the mean (average) value of TELKOM's liquidity ratio for the years 2014–2024 is 0.969512. This value exceeds the standard deviation of 0.238421. This suggests that aggregated or constant statistics make up the TELKOM solvency ratio for the years 2014–2024. Eighteen (> 0.969512) of the forty-one data points have a liquidity ratio that is greater than average. However, the remaining 23 data's liquidity ratio (0.969512) is below average. According to Table 1, the median value of TELKOM's liquidity ratio for the period of 2014–2024 is 0.93. 1.48 is the highest value, and 0.6 is

the lowest. The highest value was obtained in the first quarter of 2016 and the lowest in the third quarter of 2021.

Based on Table 1, the mean (average) value of TELKOM's investment opportunity for the years 2014–2024 is 76.68878. This value is greater than the standard deviation, which is 24.99495 in this case. This suggests that the TELKOM investment opportunity for the years 2014–2024 is represented by the volume of aggregated or constant data. 17 of the 41 data points (> 76.68878) present investment opportunities that are above average. However, the remaining 24 data present less favorable investment opportunities than average (< 76.68878). The investment opportunity for TELKOM for the 2014–2024 period has a median value of 73.06, according to Table 1. Here are the values: 178.43 is the maximum, reached in the fourth quarter of 2019; the third quarter of 2020 yielded the lowest value; and the fourth quarter of 2019 yielded the maximum value.

Table 1 shows that the mean (average) value of TELKOM's total asset turnover ratio for the years 2014–2024 is 0.372683. The 0.177469. difference between this value and the standard deviation. This suggests that aggregated or continuous data make up the TELKOM total asset turnover ratio for the years 2014–2024. Out of the 41 data points, 20 have a total asset turnover ratio that is greater than normal (> 0.372683). However, of the remaining 21 statistics, the overall asset turnover ratio (<0.372683) is below average. According to Table 1, TELKOM's total asset turnover ratio has a median value of 0.35 for the years 2014–2024. The lowest number is 0.13, while the highest is 0.66. The lowest value is obtained in the first quarter of 2021, QI 2022, QI 2023, and QI 2024, while the highest value is attained in the fourth quarter of 2017.

Table 1 shows that the mean (average) interest rate for the 2014–2024 period is 5.408516. This figure is higher than the standard deviation of 1.39313. This implies that the interest rates are either grouped data or steady for the years 2014–2024. Twenty-one of the forty-one data points (> 5.408516) had interest rates above average. The final 20 data have interest rates that are less than the average (< 5.408516). The median interest rate for the 2014–2024 period is 5.5, with the highest value being 7.67 and the lowest being 3.5, according to Table 1. The lowest value is obtained in the quarter QII 2021–QII 2022, while the highest value is obtained in the fourth quarter of 2014.

Table 1 for Equation I shows that the mean (average) dividend policy ratio for TELKOM for the years 2014–2024 is 72.75366. This figure is higher than the standard deviation, which is 9.633197. This suggests that aggregated or constant statistics will serve as the foundation for the TELKOM dividend policy ratio for the years 2014–2024. Eighteen (> 72.75366) of the 41 data points had a dividend policy ratio higher than average. However, of the remaining 23 data points, the dividend policy ratio (< 72.75366) is below average.

Table 1 Equation I shows that TELKOM's dividend policy ratio for the years 2014–2024 is 72.38 on average, with a minimum of 60 and a high of 91.58. The highest value is obtained in quarter II of 2019, while the lowest value is obtained in quarter QII–IV of 2022.

The profitability ratio mean (average) for TELKOM from 2014 to 2024 is 5.225854, derived from Table 1. The standard deviation value of 1.101156 is exceeded by this statistic. This implies that aggregated or constant data will serve as the foundation for TELKOM's profitability ratio from 2014 to 2024. Of the 41 datasets, 25 exhibit a profitability ratio greater than the mean (> 5.225854). On the other hand, the profitability ratio (< 5.225854) of the remaining 16 is below average. A high return on equity (ROE) is a sign of growing value for shareholders. The entity will be in a better position if the

ROE value is high, and vice versa. Return on equity is a metric that is used to figure out how much a business has invested in stock. An increased ROE will increase the company's book value, which will impact the investment value. According to Table 2, TELKOM's profitability has a median value of 5.46 over the years 2014–2024. The lowest value is 2.21, while the highest is 7.34. The highest value was obtained in the first quarter of 2017, and the lowest value was obtained in the fourth quarter of 2019.

Table 2. Regression Results

	Firm Value (Tobin's Q)	
	Coef	Prob
Firm size (Ln (Revenue))	0.428697	0.0737*
Leverage (DER)	-0.76578	0.0076***
Liquidity (CR)	0.352005	0.0383**
Investment Opportunity (PER)	0.014334	0.0000***
Total Asset Turn Over Ratio (TATO)	0.339484	0.0170**
Interest rate	0.025756	0.3096
Dividend Payout Ratio (DPR)	0.003738	0.2031
Profitability (ROE)	0.332608	0.0000***

Note: *** significant at 1%, ** significant at 5%, * significant at 10%

The following variables considerably raise the firm value, per Table 2: firm size, profitability, total asset turnover ratio, and investment opportunity. Meanwhile, the leverage or solvency ratio has a major negative impact on the firm value. Dividend Policy and interest rates both positively affect firm value, although they are not statistically significant.

Table 3. Hypothesis Test

Hypothesis	Examination	Expected Result	Coef	Prob Value	Comment
H1	Firm size → Firm value	+	0.428697	< 0.1	Supported
H2	Leverage → Firm value	-	-0.76578	< 0.01	Supported
H3	Liquidity → Firm value	+	0.352005	< 0.05	Supported
H4	Investment opportunity → Firm value	+	0.014334	< 0.01	Supported
H5	Efficiency → Firm value	+	0.339484	< 0.05	Supported
H6	Interest rate → Firm value	-	0.025756	0.3096	Not Supported
H7	Dividend policy → Firm value	+	0.003738	0.2031	Not Supported
H8	Profitability → Firm value	+	0.332608	< 0.01	Supported

Table 3 shows that the firm size coefficient in H1 is 0.428697, with a probability value of less than 0.1, indicating that firm size significantly influences firm value. The negative coefficient of -0.76578 in H2 reveals that leverage (or the solvability ratio) has a significant negative effect on firm value, supported by a probability value of < 0.01. Similarly, liquidity is a significant positive factor affecting firm value, as reflected in H3, with a probability value of < 0.05. Investment opportunity in H4 and efficiency level in H5 also positively influence firm value, with probability values of < 0.01 and < 0.05, respectively, indicating statistical significance. Profitability, represented by H8, also has a significant positive impact on firm value, with a probability value of < 0.01.

However, despite their positive coefficients, dividend policy in H7 and interest rate in H6 do not significantly influence firm value, as indicated by their higher probability values of 0.2031 and 0.3096, respectively, which fall outside the threshold for statistical

significance. This suggests that while these variables have positive effects, their impact on firm value is not strong enough to be deemed statistically significant.

DISCUSSION

The coefficient value of the firm size on the firm value shows 0.428967, which indicates that the firm value is impacted by firm size. Hence, H1 is accepted. As to the information provided by Suwardika and Mustanda (2017), company size gives a general idea of the firm's size based on equity, sales, and total assets. It will be simpler for the public to identify a major company. Larger companies are also thought to be in better financial standing than smaller companies. Because the public is more familiar with the products and services that large corporations offer, their market is larger. The company may make more money as a result. Increased returns for shareholders will result from these earnings, and this will ultimately affect their well-being. Larger businesses also have an easier time gaining the trust of creditors in order to secure funding sources. As a result, firm value may rise (Suwardika & Mustanda, 2017).

The liquidity ratio has a coefficient value of 0.352005. It means that the liquidity ratio adds value to the company so H3 is accepted. This lends credence to the idea that liquidity ratios affect the valuation of businesses. It is believed that companies with high levels of liquidity can provide their investors with higher dividends or cash flow. As cash availability rises, the company's liquidity situation and dividend-paying capacity both improve. If there are sufficient resources to fulfill short-term operational obligations, the effective operation of industry activities can be guaranteed. Furthermore, this aligns with research conducted by Aggarwal & Padhan (2017), Jihadi et al. (2021), and Reschiwati et al. (2020). Businesses with higher levels of liquidity are better equipped to fund investments and meet their short-term financial obligations.

An investment opportunity has a coefficient value of 0.014334 on firm value. It highlights that investment opportunities have a favorable effect on the company's value. Therefore, H4 is accepted. This lends credence to the idea that investment opportunities impact a company's worth. Investment prospects affect the opinions of creditors, owners, managers, and investors (Serna, 2023). Companies that see growth in their business prospects will convince investors to increase their investment, which will increase demand for the company's shares (Haryetti & Ekayanti, 2012). Investment opportunity is positively and significantly correlated with firm value (Ajani et al., 2019). A company's potential for investment determines how much it is worth. This can occur if the business has outstanding capital management; in that instance, the stock price and the company's performance will both increase. Additionally, this will convey to investors the idea that a business that has made large investments would experience growth in both demand and price for its shares, both of which will raise the value of the business.

The total asset turnover ratio, which has a favorable effect on corporate value, represents the efficiency level because it has a coefficient value of 0.339484 on firm value. The study's results support the idea, leading to the acceptance of H5. According to Rinaldo and Endri (2020), the total assets turnover ratio measures asset activity and the company's ability to generate income from the use of these assets. This percentage most accurately illustrates the entire asset turnover's capacity to generate revenue. A higher and more active rotation of assets improves the firm's efficiency in using its resources. This could have an effect on the price of shares, raising the company's value. A high asset turnover rate can increase the value of the company. A company is deemed efficient if it can effectively manage its assets to increase sales profits and benefit the business; a high level of total asset management may even raise the company's valuation. This is in line with the finding by Harahap et al. (2020) that efficiency level increases firm value.

The idea that has been developed states that profitability significantly increases firm value since it has a coefficient value of 0.332608. It means that H8 is accepted. Businesses with large profit margins also offer investors substantial rates of return. Higher-profit businesses will appeal to investors more than lower-profit ones. Consequently, the company's worth could increase in tandem with the capital market prices of its stocks. The data firm attracts investors thanks to its large profit margin, which demonstrates how well management is doing its job. Profitability and firm value are linked, according to signaling theory; investors will view a company's capacity to generate steady, growing profits as an indication of the company's success. Studies by Damayanti & Sucipto (2022), Fatima et al. (2023), Jallow et al. (2022), and Niar (2019) are also in line with this.

The value of the company is significantly impacted negatively by the leverage or solvency ratio, as the coefficient value that resulted is -0.76578. Therefore, H2 is accepted. This illustrates how increasing debt can negatively affect performance, which is why internal finance for operating expenses is preferred over external financing (Nikmah & Hung, 2024). Companies with high debt ratios must set aside a percentage of their earnings to pay for high-interest costs. Additionally, if the majority of the company's revenue is used for interest payments, there will be less money available for reinvestment, which would negatively affect the company's prospects for growth (Asimakopoulos et al., 2009). The study's findings are consistent with those of studies by Fatima et al. (2023) and Mahdaleta et al. (2016), which found that DER significantly reduces firm value. This indicates that there is a greater likelihood for the company's value to decline the higher the DER.

Although the increase in firm value is not significant, the dividend policy (DPR), with a coefficient value of 0.003738, does contribute. This does not fit the hypothesis that has been developed, so H7 is rejected. Typically, an investor looks at the overall return on investment without considering whether dividend income or capital gains are responsible for it. Thus, the obtained profit will not affect the firm value whether it is held as retained earnings or dispersed as dividends. The study's findings are consistent with those of studies by Dewi & Novitasari (2022), Husna & Satria (2019), Murniati et al. (2019), and Sihombing et al. (2024), which conclude that the DPR has no bearing on company value.

The business value is positively impacted by interest rates, though not significantly, because it results in a coefficient value of 0.025756. Therefore, H6 is rejected. Still, there is agreement between this study and the one by Sihombing et al. (2024). Companies that have robust corporate governance and efficient risk management procedures typically manage their capital structure more effectively, striking a balance between debt and equity to maximize the firm's value independent of changes in interest rates. This strategy is highly calculated since, thanks to sound financial management, the firm's worth does not fluctuate much even as interest rates climb.

CONCLUSION

The objective of this research is to analyze and evaluate the impact of financial structure while considering macroeconomic factors such as interest rates on business value and profitability. The analysis used TELKOM's financial statements from 2014 to 2024 as secondary data. The findings are expected to significantly contribute to existing research by identifying factors that influence TELKOM's corporate value and profitability. The study's results suggest that firm value is influenced by several factors, including firm size, leverage, liquidity, investment opportunities, efficiency, and profitability. However, interest rates and dividend policy do not significantly impact firm value. This strategic approach highlights that effective financial management can sustain firm value even as

interest rates rise. Investors tend to focus more on a company's ability to generate profits and make wise decisions on how those profits are utilized, even though dividend policies are often seen as enhancing a company's worth.

As previously mentioned, TELKOM's 5BM strategic goal recognizes its substantial assets, but the company has not yet achieved significant profitability. TELKOM developed this strategy to enhance firm value. Additionally, the findings show that TELKOM must prioritize specific financial structures—such as firm size, solvability, liquidity, investment opportunities, efficiency, and profitability—in order to improve overall firm value. The author suggests several pathways to enhance the firm's value, including maintaining the solvability ratio (debt to equity), streamlining costs to optimize firm size for maximum asset utilization, and promoting innovation in product development and sales growth, all of which are essential strategies for increasing firm worth.

LIMITATION

One limitation of this study is that, because the data in TELKOM's financial statements are quarterly or quarterly based, there are only 41 observations from 2014 to 2024. Moreover, only a small percentage of the TELKOM financial ratio data that is accessible on the official website is older than 2014. Furthermore, because TELKOM publishes official reports for the general public to view on a quarterly basis, it is not feasible to compile financial statement data. If consent is gained from the corporation under investigation, future research may benefit from the usage of monthly data.

ACKNOWLEDGMENT

The researchers would like to express their gratitude to TELKOM INDONESIA for providing a large area for us to use as a study and writing environment.

DECLARATION OF CONFLICTING INTERESTS

The researcher declares in all sincerity that there is no conflict of interest in the research or preparation of this publication.

REFERENCES

Aggarwal, D., & Padhan, P. C. (2017). Impact of capital structure on firm value: Evidence from Indian hospitality industry. *Theoretical Economics Letters, 7*(4), 982-1000. https://doi.org/10.4236/tel.2017.74067

Ajani, A., Irawati, A., & Sam, M. F. M. (2019). The influence of leverage, profitability, dividend policy and investment opportunity on the company value. *Proceeding International Conference on Information Technology and Business*, 159-170.

Asimakopoulos, I., Samitas, A., & Papadogonas, T. (2009). Firm-specific and economy wide determinants of firm profitability: Greek evidence using panel data. *Managerial Finance*, *35*(11), 930–939. https://doi.org/10.1108/03074350910993818

Damayanti, R., & Sucipto, A. (2022). The effect of profitability, liquidity, and leverage on firm value with dividend policy as intervening variable (case study on finance sector in Indonesian Stock Exchange 2016-2020 period). *International Journal of Economics, Business and Accounting Research, 6*(2), 1214-1223.

Dewi, N. L. P. S., & Novitasari, N. L. G. (2022). The effect of debt policy, dividend policy, investment decisions and corporate size on corporate value. *International Journal of Accounting & Finance in Asia Pasific, 5*(3), 61-68. https://doi.org/10.32535/ijafap.v5i3.1886

Dewi, N. P. I. K., & Abundanti, N. A. (2019). Pengaruh leverage dan ukuran perusahaan terhadap nilai perusahaan dengan profitabilitas sebagai variabel mediasi [The effect of leverage and company size on company value with profitability as a

mediating variable]. *E-Jurnal Manajemen Universitas Udayana 8*(5), 3028. http://dx.doi.org/10.24843/EJMUNUD.2019.v08.i05.p16

Ebenezer, O. O., Islam, M. A., Yusoff, W. S., & Sobhani, F. A. (2019). Exploring liquidity risk and interest-rate risk: Implications for profitability and firm value in Nigerian banks. *Journal of Reviews on Global Economics, 8*, 315-326. https://doi.org/10.6000/1929-7092.2019.08.27

Fatima, N., Shaik, A. R., & Tripathy, S. (2023). Firm value and profitability of Saudi Arabian companies listed on Tadawul: Moderating role of capital structure. *International Journal of Sustainable Development and Planning, 18*(5), 1515-1521. https://doi.org/10.18280/ijsdp.180522

Harahap, I., Septiani, I., & Endri, E. (2020). Effect of financial performance on firms' value of cable companies in Indonesia. *Accounting, 6*(6), 1103-1110. http://dx.doi.org/10.5267/j.ac.2020.7.008

Haryetti, & Ekayanti, R. A. (2012). Pengaruh profitabilitas, investment opportunity set dan pertumbuhan erusahaan terhadap kebijakan dividen pada perusahaan LQ-45 yang terdaftar di BEI [The influence of profitability, investment opportunity set and company growth on dividend policy in LQ-45 companies listed on the IDX]. *Economic Journal*, *20*(3), 1–18.

Hirdinis, M. (2019). Capital structure and firm size on firm value moderated by profitability. *International Journal of Economics & Business Administration, VII*(7), 1.

Husna, A., & Satria, I. (2019). Effects of return on asset, debt to asset ratio, current ratio, firm size, and dividend payout ratio on firm value. *International Journal of Economics and Financial Issues, 9*(5), 50-54.

Jallow, M. A., Abiodun, N. L., Weke, P., & Aidara, C. A. T. (2022). Efficiency of financial ratios in predicting stock price trends of listed banks at Nairobi securities exchange. *European Journal of Statistics, 2*, 9-9. https://doi.org/10.28924/ada/stat.2.9

Jihadi, M., Vilantika, E., Hashemi, S. M., Arifin, Z., Bachtiar, Y., & Sholichah, F. (2021). The effect of liquidity, leverage, and profitability on firm value: Empirical evidence from Indonesia. *The Journal of Asian Finance, Economics and Business, 8*(3), 423-431. https://doi.org/10.13106/jafeb.2021.vol8.no3.0423

Mahdaleta, E., Muda, I., & Nasir, G. M. (2016). Effects of capital structure and profitability on corporate value with company size as the moderating variable of manufacturing companies listed on Indonesia Stock Exchange. *Academic Journal of Economic Studies, 2*(3), 30-43.

Murniati, S., Mus, H. A. R., Semmaila, H. B., & Nur, A. N. (2019). Effect of investment decisions, financing decisions and dividend policy on profitability and value of the firm. *International Journal of Accounting & Finance in Asia Pasific, 2*(1), 1-10. https://doi.org/10.32535/ijafap.v2i1.359

Niar, H. (2019). The impact of decision investment, capital structure and growth on profitability and company value in manufacturing sector of firms in Indonesia. *International Journal of Accounting & Finance in Asia Pasific, 2*(1), 1-7. https://doi.org/10.32535/ijafap.v2i1.362

Nikmah, C., & Hung, R. J. (2024). The impact of ASEAN economic community, firm characteristics and macroeconomics on firm performance and firm value: An investigation of Shariah-compliant firms in Indonesia. *Heliyon*, *10*(11). https://doi.org/10.1016/j.heliyon.2024.e32740

Putri, R. J. (2023). The effect of dividend policy and profitability on firm value (case study of manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange in 2017-2021). *Accounting and Finance Studies, 3*(2), 142-156. https://doi.org/10.47153/afs32.6622023

Reschiwati, R., Syahdina, A., & Handayani, S. (2020). Effect of liquidity, profitability, and size of companies on firm value. *Utopia y Praxis Latinoamericana, 25*(6), 325-332. https://doi.org/10.5281/zenodo.3987632

Rinaldo, N. E., & Endri, E. (2020). Analysis of financial performance of plantation subsector companies listed on the Indonesia Stock Exchange for the 2014-2019 Period. *International Journal of Innovative Science and Research Technology, 5*(4), 530-537.

Rusdana, F., & Endri, E. (2020). Analysis of financial performance Tobacco listed in Indonesia Stock Exchange. *Jurnal Konsep Bisnis dan Manajemen, 6*(2), 179-187. https://doi.org/10.31289/jkbm.v6i2.3670

Serna, G. (2023). On the predictive ability of conditional market skewness. *The Quarterly Review of Economics and Finance, 91*, 186-191. https://doi.org/10.1016/j.qref.2022.11.001

Sihombing, P., Pranata, N., & Kwee, Y. (2024). Effect of dividend, profitability, and interest rates on firm value with leverage as moderating. *Research of Finance and Banking*, *2*(1), 14–24. https://doi.org/10.58777/rfb.v2i1.218

Stockbit. (2024, June 20). *TLKM Financials*. Stockbit. https://stockbit.com/symbol/TLKM/financials

Sugiyono, S. (2018). *Metode Penelitian Kuantitatif (Quantitative Research Method)*. Alfabeta.

Suwardika, I., & Mustanda, I. (2017). The effect of leverage, company size, company growth, and profitability on company value in property companies. *Unud Management E-Journal, 6*(3), 1248-1277.

ABOUT THE AUTHOR(S)

1st Author
The first author is Hanung Tyas Saksono, currently pursuing a Master's degree in Business Administration at the Faculty of Economics and Business, Telkom University, located at Jl. Telekomunikasi No. 1, Dayeuhkolot, Bandung, West Java, Indonesia. While studying, the author is employed at TELKOM, which is also the unit of analysis for this study. The author's email address is hanung@student.telkomuniversity.ac.id

2nd Author
The second author is Dr. Agus Maolana Hidayat, S.E., M.Si., a lecturer at Telkom University's Faculty of Economics and Business, specializing in the Master's program in Business Administration. Dr. Hidayat earned his bachelor's, master's, and doctoral degrees in economics from Padjadjaran University (UNPAD). The author's email address is agusmh@student.telkomuniversity.ac.id

3rd Author
The third author is Dr. Sita Deliyana Firmialy, S.E., MSM., a lecturer at Telkom University's Faculty of Economics and Business, specializing in the Bachelor of Business Administration program. Dr. Firmialy earned her Master's and Doctoral degrees from the School of Business and Management at ITB (SBM-ITB). The author's email address is sitadeliyanafirmialy@telkomuniversity.ac.id