

The Effect of Financial Determinants on Firm Value in Telecommunications Companies Listed on The Indonesia Stock Exchange

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Abstract

Firm value reflects the market's assessment of a company's performance and future prospects. However, in the capital-intensive telecommunications industry, substantial assets, investment, earnings, liquidity, growth, and debt usage are not necessarily followed by higher market valuations. This study aims to examine the effects of profitability, leverage, firm size, liquidity, and growth on the firm value of telecommunications subsector companies listed on the Indonesia Stock Exchange during 2019–2025. A quantitative approach was employed using panel data regression and purposive sampling, resulting in a balanced panel dataset. The Chow and Hausman tests identified the Fixed Effects Model as the most appropriate estimation model. Statistical inference was conducted using White period cross section clustered robust standard errors with a degrees-of-freedom correction, while the joint effect of the independent variables was evaluated using the Wald test. The results indicate that leverage has a positive and significant effect on firm value, whereas firm size has a negative and significant effect. Meanwhile, profitability, liquidity, and growth do not significantly affect firm value. These findings demonstrate that investors assess not only the magnitude of financial ratios but also the productive use of debt, asset efficiency, cash-flow-generating capacity, and firm-specific characteristics. Theoretically, the findings support the benefit side of trade-off theory and demonstrate that financial information functions as a meaningful signal when it reflects productive resource utilization. Practically, telecommunications companies should maintain controlled leverage, allocate debt to productive investments, improve asset utilization, and accelerate the monetization of network investments. Investors should also consider debt allocation, asset productivity, and cash-flow quality when evaluating telecommunications companies.

Keywords: firm value, profitability, leverage, firm size, liquidity, growth, telecommunications.

Introduction

Firm value is an important indicator in financial management because it reflects the market's assessment of a company's performance, risk, growth prospects, and sustainability. For publicly listed companies, firm value can be proxied by price to book value (PBV), which compares the market price per share with book value per share. PBV indicates how highly the market values a company's equity relative to its accounting value; a high PBV indicates stronger market appreciation, whereas a low PBV suggests that the company's resources and prospects have not been fully reflected in its share valuation (Hirdinis, 2019); (Lawinata & Susanto, 2023); (Sukamdi, 2023).

The telecommunications subsector was selected because it plays a strategic role in digital transformation and has capital intensive industry characteristics. Telecommunications companies must continuously invest in networks, towers, spectrum, fiber optic infrastructure, data centers, and technology upgrades. This structure creates high fixed costs, ongoing modernization requirements, technological obsolescence risk, and dependence on asset utilization and cash flow generation. Consequently, high levels of investment, asset growth, and debt usage are not necessarily followed by higher firm value when additional capacity does not generate proportionate revenue and cash flows (Kroy & Desmiza, 2025); (Priyan et al., 2024).

These characteristics distinguish telecommunications companies from consumer goods or trading companies, whose performance is more strongly influenced by inventory turnover, sales volume, and working capital, as well as from the property and infrastructure sectors, which have different asset benefit realization patterns and investment cycles. Although all sectors face decisions concerning size, financing, and liquidity, market valuation in telecommunications depends heavily on network productivity, the speed of technology commercialization, and the ability of long term investment to generate cash flows. Differences in asset characteristics and operating cycles may therefore cause financial ratios to be perceived differently across industries (Romansyah et al., 2021); (Nurhandari et al., 2023); (Lawinata & Susanto, 2023); (Fadjri & Nurdiansyah, 2023); (Yadav et al., 2022).

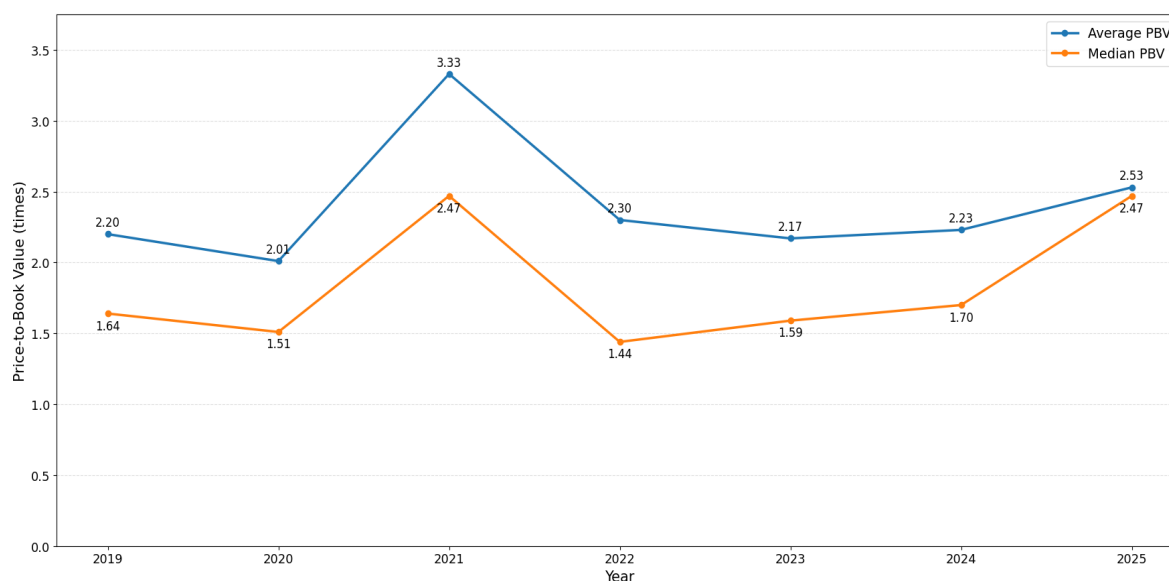


Figure 1. Annual Average and Median Price-to-Book Value of IDX-Listed Telecommunications Companies, 2019–2025.

Source: processed data (2026).

Figure 1 shows unstable market valuations throughout the observation period. The decline in both average and median PBV in 2020 indicates a weakening valuation, followed by a sharp increase in 2021. Valuations weakened again in 2022–2023 before recovering in 2024–2025. The gap between the average and the median, particularly when the average is substantially higher, indicates heterogeneous valuations across companies and the presence of several high PBV observations that increase the sector average. Figure 1 describes the firm value phenomenon only descriptively and does not establish a causal relationship with specific financial factors. Nevertheless, the pattern indicates that changes in market valuation should be explained through firms' fundamental characteristics.

ROA, DER, SIZE, CR, and GROWTH were selected to explain this phenomenon because each represents a different financial dimension. ROA indicates the efficiency of assets in generating profit; DER represents the use of debt in the financing structure; SIZE reflects asset capacity and potential fixed costs; CR indicates the ability to meet short-term obligations and the efficiency of working capital management; and GROWTH represents asset expansion and business capacity. In the telecommunications industry, the combination of these five factors may determine whether investment and financing are converted into productivity, revenue, and cash flows that are subsequently appreciated by the market (Asni & Agustia, 2022); (Bui et al., 2023); (Fadjri & Nurdiansyah, 2023); (Yadav et al., 2022).

Empirical evidence on the determinants of firm value remains inconsistent. Profitability was found to have a positive effect on firm value by (Asni & Agustia, 2022), (Firdaus et al., 2024), and (Kaulika & Imronudin, 2025), but was insignificant in the studies of (Sudrajat & Setiyawati, 2021) and (Nuswandari et al., 2019). Capital structure or leverage was found to provide positive benefits by (Bui et al., 2023) and (Hirdinis, 2019), whereas (Ahmad et al., 2022), (Ghardallou, 2023), and (Ronoowah & Seetanah, 2023) reported different effects. Inconsistent findings have also been reported for firm size, liquidity, and growth (Fadjri & Nurdiansyah, 2023); (Putri et al., 2024); (Yadav et al., 2022).

Studies focusing specifically on Indonesian telecommunications companies also remain limited. (Kroy & Desmiza, 2025) found that ROA had a positive effect, DER had a negative effect, and CR and firm size were insignificant during 2019–2023. Differences in findings, periods, proxies, and estimation methods indicate that the market response to the financial fundamentals of telecommunications companies has not yet been established consistently.

The research gap lies in the inconsistent directions and significance of previous findings, the limited empirical evidence for the Indonesian telecommunications subsector, and the need for inference that accommodates within company residual correlation over time. The research problem is based on the condition that the ability to generate profit, the use of debt, asset size, liquidity, and asset growth in telecommunications companies are not always followed by higher firm value. It is therefore necessary to identify the financial determinants that

are genuinely considered by the market. This study aims to analyze the effects of profitability, leverage, firm size, liquidity, and growth on firm value in telecommunications companies listed on the Indonesia Stock Exchange during 2019–2025. The study contributes by using a more recent balanced panel, testing signaling theory and trade-off theory in a capital intensive industry, and employing panel data regression with White period cross section clustered robust standard errors in accordance with the residual characteristics of the model.

Literature Review

Signaling theory originates from (Spence, 1973) argument that parties with more information take actions to convey signals to parties with less information. In a corporate context, management acts as the signal sender through financial reports, financing policies, and investment decisions, while investors assess the credibility and quality of these signals. (Karasek & Bryant, 2012) emphasize that signal effectiveness is influenced by the characteristics of the sender, the information content, and the receiver's perception. (Bergh et al., 2014) further argue that a signal has value only when it reduces information asymmetry and distinguishes firm quality.

In this study, ROA, SIZE, CR, and asset growth are treated as information that may shape investors' perceptions of efficiency, operating capacity, debt payment ability, and expansion prospects. However, a high ratio is not necessarily a positive signal. Large assets may indicate either capacity or inefficiency; high liquidity may represent either financial security or idle funds; and asset growth is appreciated only when it generates revenue and cash flows. The market therefore evaluates the economic quality underlying the figures, as indicated by (Asyik et al., 2023) and (Febianto & Susanti, 2024).

Modigliani & Miller (1963) demonstrate that debt may increase firm value through the interest tax shield. (Kraus & Litzenberger, 1973) subsequently explain that an optimal capital structure is achieved when the tax benefits of debt are balanced against expected bankruptcy costs. (Myers, 1984) develops the proposition that firms move toward a target leverage ratio by considering the benefits and adjustment costs of their capital structure.

In the telecommunications industry, debt may support network expansion, spectrum acquisition, tower construction, and technological modernization. Debt increases firm value when the financed investment generates returns greater than interest expense, agency costs, and financial distress risk. Conversely, leverage beyond an optimal level may reduce performance. This explanation is consistent with literature showing that the relationship between debt and performance is context dependent (Forte & Botelho, 2021); (Ghardallou, 2023); (Hirdinis, 2019); (Priyan et al., 2024).

Hypothesis Development

The Effect of Profitability on Firm Value

Signaling theory explains that parties with more information may convey signals to parties with less information to reduce information asymmetry. In the capital market, financial information serves as a signal through which investors assess a company's operating quality and prospects; signal effectiveness depends on the sender's credibility, the information content, and the signal's ability to distinguish firm quality (Spence, 1973); (Karasek & Bryant, 2012); (Bergh et al., 2014).

Profitability is proxied by return on assets (ROA), which measures the ability of all assets to generate net income. A higher ROA is predicted to have a positive effect on PBV because it indicates asset use efficiency, profit generating ability, and stronger cash flow prospects. In telecommunications companies, ROA also reflects the ability of network assets, towers, spectrum, and digital infrastructure to generate economic benefits; consequently, higher ROA is expected to receive greater market appreciation.

This prediction is supported by (Asni & Agustia, 2022), who found that profitability based financial performance was positively associated with firm value. (Firdaus et al., 2024); (Febriyanti & Hasibuan, 2025) also showed that profitability had a positive and significant effect on firm value. Based on signaling theory, the asset utilization mechanism, and this empirical evidence, the first hypothesis is formulated as follows:

H1: Profitability has a positive and significant effect on firm value.

The Effect of Leverage on Firm Value

Trade-off theory explains that debt may increase firm value through the interest tax shield, but this benefit must be balanced against interest costs and financial distress risk. An optimal capital structure is achieved

when the marginal benefits of debt remain greater than its marginal costs (Modigliani & Miller, 1963); (Kraus & Litzenberger, 1973); (Myers, 1984).

Leverage is proxied by the debt to equity ratio (DER), which compares total liabilities with total equity. DER is predicted to have a positive effect on PBV when debt is used to finance productive investment. In the telecommunications industry, large financing requirements relate to network construction, spectrum acquisition, tower construction, fiber optic expansion, data center development, and technology upgrades. When these investments generate revenue and cash flows that exceed financing costs, debt usage may increase market valuation.

Vina et al. (2022) and Sutriyono et al. (2021) found that DER had a positive and significant effect on PBV. (Hirdinis, 2019) and (Afifuddin & Akbar, 2025) also showed that capital structure or DER had a positive and significant effect on firm value. (Febianto & Susanti, 2024) further supported a positive and significant relationship between leverage and PBV, while (Evelyne et al., 2024) showed that appropriate capital structure management may strengthen firm value. Based on trade-off theory, the productive investment financing mechanism, and this empirical evidence, the second hypothesis is formulated as follows:

H2: Leverage has a positive and significant effect on firm value.

The Effect of Firm Size on Firm Value

Signaling theory states that information conveyed by a company may shape investor perceptions, but a signal is valuable only when it credibly reflects the company's economic quality (Spence, 1973); (Karasek & Bryant, 2012); (Bergh et al., 2014). An increase in firm size is therefore not necessarily a positive signal when greater resources are not accompanied by proportional efficiency and cash flows.

Firm size is proxied by the natural logarithm of total assets. SIZE is predicted to have a negative effect on PBV because a larger asset base may increase depreciation, maintenance costs, organizational complexity, and the risk of diseconomies of scale. In telecommunications companies, network assets also require modernization and face technological obsolescence risk; consequently, additional assets that do not generate adequate utilization, revenue, and cash flows may be perceived as a signal of inefficiency.

Hirdinis (2019) and Afifuddin & Akbar (2025) found that firm size had a negative and significant effect on firm value. This mechanism is reinforced by (Yadav et al., 2022) who explain that increasing firm size may reduce efficiency and profitability when a company experiences diseconomies of scale. Based on signaling theory, the characteristics of telecommunications assets, and this empirical evidence, the third hypothesis is formulated as follows:

H3: Firm size has a negative and significant effect on firm value.

The Effect of Liquidity on Firm Value

Signaling theory explains that investors use financial information to assess a company's condition and prospects, but the meaning of a signal depends on the economic quality contained in that information (Spence, 1973); (Karasek & Bryant, 2012); (Bergh et al., 2014). Therefore, high liquidity is not necessarily a positive signal when it does not reflect productive working capital management.

Liquidity is proxied by the current ratio (CR), which compares current assets with current liabilities. CR is predicted to have a negative effect on PBV when excessively high liquidity indicates idle funds, slow working-capital turnover, or current assets that have not been used for productive investment. In telecommunications companies, funds that are not promptly allocated to network operations and investment requirements may reduce the potential return assessed by the market.

Nuswandari et al. (2019) found that liquidity had a negative and significant effect on firm value because excess liquidity may reduce operating effectiveness. Lestari & Sihono (2023) also reported a negative direction of the effect of liquidity on firm value. These findings provide empirical support that a high CR is not always appreciated by the market when current assets are not used productively. Based on signaling theory, the idle funds mechanism, and this empirical evidence, the fourth hypothesis is formulated as follows:

H4: Liquidity has a negative and significant effect on firm value.

The Effect of Growth on Firm Value

Signaling theory explains that investment decisions and changes in company resources may signal future growth prospects. Such signals receive a positive response when they reduce information asymmetry and indicate higher firm quality (Spence, 1973); (Karasek & Bryant, 2012); (Bergh et al., 2014).

Growth is proxied by asset growth, namely the change in total assets relative to the previous year. GROWTH is predicted to have a positive effect on PBV because asset growth may indicate capacity expansion, greater service capability, and future revenue prospects. In the telecommunications industry, additional networks, towers, fiber optic infrastructure, and digital assets are expected to increase utilization, subscribers, revenue, earnings, and cash flows, thereby receiving market appreciation.

Kaulika & Imronudin (2025) found that company growth measured by asset growth had a positive and significant effect on PBV. (Yadav et al., 2022) also showed that company growth may increase profitability when expansion remains at an efficient level, supporting the economic mechanism through which additional assets may create value. Based on signaling theory, the asset expansion mechanism, and this empirical evidence, the fifth hypothesis is formulated as follows:

H5: Growth has a positive and significant effect on firm value.

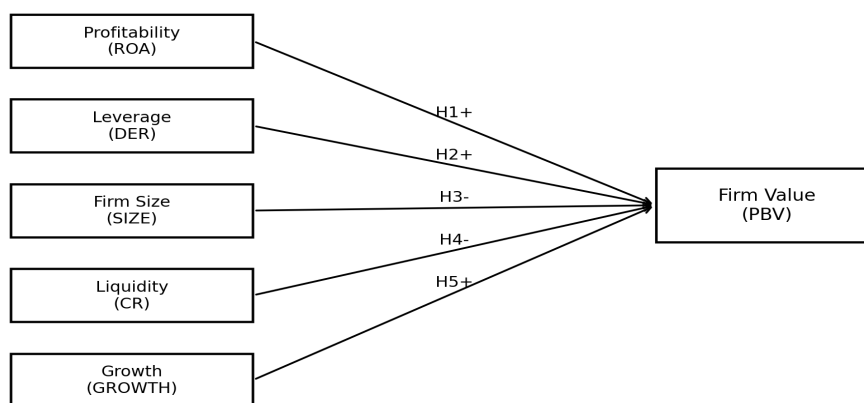


Figure 2. Conceptual Framework

Source: Developed by the author based on theory and prior studies.

Method

This study employs a quantitative explanatory approach using panel data regression. The research objects are telecommunications subsector companies listed on the Indonesia Stock Exchange during 2019–2025. Secondary data were obtained from audited financial statements, the Indonesia Stock Exchange, and year end closing share price information. The data were arranged in long format panel form, with each row representing one company in one year.

Purposive sampling was applied based on continuous listing throughout the observation period, the completeness of financial statements, and the availability of data required to calculate PBV, ROA, DER, SIZE, CR, and GROWTH. The final sample comprised 12 companies observed over seven years, resulting in 84 observations and a balanced panel dataset.

Table 1. Operational Definitions of Variables

Variable	Proxy	Formula	Scale
Firm Value	PBV	Closing share price / (total equity / number of shares outstanding)	Ratio
Profitability	ROA	Net income / total assets	Ratio
Leverage	DER	Total liabilities / total equity	Ratio
Firm Size	SIZE	Ln(total assets)	Logarithmic
Liquidity	CR	Current assets / current liabilities	Ratio
Growth	GROWTH	(Total assets t - Total assets t-1) / Total assets t-1	Ratio

Source: Processed data (2026).

The general panel data regression model is formulated as follows:

$$Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it}$$

Y_{it} represents the dependent variable for company i in year t ; α is the common intercept; β_1 – β_5 are the regression coefficients; and X_{1it} – X_{5it} are the independent variables for company i in year t . In this study, Y is proxied by firm value (PBV), while X_1 , X_2 , X_3 , X_4 , and X_5 represent profitability (ROA), leverage (DER), firm size (SIZE), liquidity (CR), and growth (GROWTH), respectively. This equation is the general model used before the variable names and estimated coefficient values are inserted.

Model selection was conducted using the Chow, Hausman, and Lagrange Multiplier tests. After the model was selected, normality, multicollinearity, heteroskedasticity, and autocorrelation were examined. The Durbin Watson statistic indicated positive autocorrelation; therefore, coefficient inference employed White period (cross section cluster) standard errors and covariance. (White, 1980) developed a covariance-matrix estimator that is consistent in the presence of heteroskedasticity, while (Arellano, 1987) demonstrated that robust standard errors may be applied to within-groups or fixed effects estimators to accommodate heteroskedasticity and serial correlation within panel units. (Cameron & Miller, 2015) emphasize that cluster robust inference is appropriate when residuals may be correlated within clusters but are assumed to be independent across clusters. In EViews terminology, White period denotes clustering by cross section and therefore accommodates intertemporal correlation within the same company (EViews, 2024). Because the "No d.f. correction" option was not selected, EViews applied a degrees of freedom correction and adjusted the standard errors and t probabilities for clustering. Partial effects were evaluated using robust probabilities. The joint effect was tested using a Wald test under the null hypothesis that the coefficients of ROA, DER, SIZE, CR, and GROWTH were jointly equal to zero. (Wald, 1943) developed a test of simultaneous restrictions on several parameters, while the EViews documentation explains the use of the Wald test to evaluate multiple coefficient restrictions jointly (EViews, 2025).

Results and Discussion

The results of the descriptive statistical analysis are presented in Table 2.

Table 2. Summary of Hypothesis Testing

Hypothesis	Relationship	Direction	Coefficient	Prob.	Decision
H1	ROA → PBV	Positive	1.985460	0.5700	Rejected
H2	DER → PBV	Positive	0.224865	0.0000	Accepted
H3	SIZE → PBV	Negative	-1.138483	0.0358	Accepted
H4	CR → PBV	Negative	-0.565122	0.3783	Rejected
H5	GROWTH → PBV	Positive	0.164734	0.7320	Rejected

Source: Processed data (2026).

The Effect of Profitability on Firm Value

The test results show that profitability has a probability of 0.5700, which is greater than 0.05. Profitability therefore does not have a significant effect on firm value, and H1 is rejected. The insignificant result indicates that the ability of assets to generate earnings is not a consistent market consideration after controlling for time invariant differences across companies. In the telecommunications industry, accounting earnings are affected by depreciation and amortization of network assets, spectrum costs, and relatively high capital expenditure requirements. Investors may place greater emphasis on operating cash flow, network quality and utilization, subscriber growth, digital service monetization, and investment prospects. Consequently, a higher ROA is not necessarily followed immediately by changes in share prices and PBV.

This insignificant result is consistent with (Hirdinis, 2019), (Sudrajat & Setiyawati, 2021), and (Nuswandari et al., 2019), who showed that profitability does not always have a significant effect on firm value. (Afifuddin & Akbar, 2025) also reported a positive but insignificant direction of profitability with PBV. These similar findings indicate that asset based earnings information is not always the primary market consideration in determining company valuation.

From the perspective of signaling theory, as introduced by (Spence, 1973), the absence of a significant effect of ROA on PBV may be understood as a condition in which the profitability signal is not sufficiently strong to distinguish firm quality in the eyes of investors. Signal effectiveness is influenced by the credibility of the sender, the information content, and the receiver's interpretation of the signal (Karasek & Bryant, 2012); (Bergh et al., 2014). In telecommunications companies, accounting earnings may be reduced by depreciation,

amortization, spectrum costs, and capital expenditure, causing investors to emphasize operating cash flow, network quality, subscriber growth, and digital service monetization. Managerially, companies should improve the quality and sustainability of earnings and demonstrate that network assets genuinely generate cash flows rather than merely increasing accounting ROA.

The Effect of Leverage on Firm Value

The test results show that leverage has a probability of 0.0000, or $p < 0.0001$, which is below 0.05. Leverage therefore has a significant effect on firm value, and H2 is accepted. The DER coefficient of 0.224865 indicates a positive direction; a one unit increase in DER is associated with a 0.224865 unit increase in PBV, holding the other variables and cross-section fixed effects constant.

Economically, the result indicates that the market may value debt positively when borrowed funds are allocated to productive investment. Telecommunications companies require substantial financing for network construction, spectrum acquisition, tower construction, fiber optic expansion, data center development, and technology upgrades. Investments that increase service capacity, revenue, and cash flows may strengthen debt servicing capacity and increase company valuation.

This finding is consistent with (Vina et al., 2022) and (Sutrisno et al., 2021), who found that DER had a positive and significant effect on PBV. (Hirdinis, 2019) and (Afifuddin & Akbar, 2025) also reported a positive and significant effect of capital structure or DER on firm value. The consistency in direction and significance reinforces the view that the market may appreciate debt when it supports productive investment activities.

From the perspective of trade off theory, as developed by (Modigliani & Miller, 1963), (Kraus & Litzenberger, 1973), and (Myers, 1984), the positive and significant effect of DER on PBV may be understood when the tax shield benefit and returns from debt financed investment exceed interest costs and financial distress risk. In the telecommunications industry, debt may accelerate network construction, spectrum acquisition, fiber optic expansion, data center development, and technological renewal. This finding supports trade off theory within the observed leverage range, but it does not imply that unlimited debt increases firm value. Management should therefore maintain leverage at a controlled level and direct additional debt toward projects that generate revenue, improve asset productivity, and produce adequate cash flows.

The Effect of Firm Size on Firm Value

The test results show that firm size has a probability of 0.0358, which is below 0.05. Firm size therefore has a significant effect on firm value, and H3 is accepted. The SIZE coefficient of -1.138483 indicates a negative direction; a one-unit increase in SIZE is associated with a 1.138483 unit decrease in PBV, holding the other variables and cross section fixed effects constant. For a small change, an approximately 1% increase in total assets is associated with an approximately 0.011385 unit decrease in PBV. This relationship is an association within the model and is not interpreted as an absolute causal effect.

The result indicates that a larger asset base does not necessarily generate a higher market valuation. In the telecommunications industry, large assets increase depreciation expense, network maintenance costs, technology renewal requirements, and asset obsolescence risk. Organizational growth may also increase bureaucracy and decision making complexity. When additional assets are not accompanied by proportional network utilization, revenue, earnings, and cash flows, the market may perceive inefficiency or diseconomies of scale.

This finding is consistent with (Hirdinis, 2019) and (Afifuddin & Akbar, 2025), who found that firm size had a negative and significant effect on firm value. (Yadav et al., 2022) also explain that increasing company size may reduce efficiency and profitability when diseconomies of scale begin to arise. These similar findings indicate that the market evaluates not only the amount of assets but also their productivity and ability to generate economic benefits.

From the perspective of signaling theory, as introduced by (Spence, 1973), the negative and significant effect of SIZE on PBV indicates that a large asset base may become an unfavorable signal when it fails to distinguish efficient companies from companies that merely operate at a large scale. (Karasek & Bryant, 2012) and (Bergh et al., 2014) emphasize that signal effectiveness depends on information quality and the signal's ability to reflect company quality. In telecommunications companies, a large asset base increases depreciation, maintenance costs, organizational complexity, and technological obsolescence risk. Management should therefore evaluate expansion on the basis of network utilization, returns on assets, revenue growth, and cash flows rather than solely on total asset growth.

The Effect of Liquidity on Firm Value

The test results show that liquidity has a probability of 0.3783, which is greater than 0.05. Liquidity therefore does not have a significant effect on firm value, and H4 is rejected. The current ratio primarily reflects the ability to meet short term obligations, whereas investors in telecommunications companies may focus more on long term cash flows and the ability to finance investment. Large current assets may indicate liquidity security but may also represent idle funds. Moreover, differences in the composition of cash, receivables, other current assets, and current liabilities mean that CR does not always reflect the quality of working capital management consistently across companies.

The insignificant result is consistent with (Ahmad et al., 2022), (Kroy & Desmiza, 2025), and (Lawinata & Susanto, 2023), who found that liquidity or CR did not have a significant effect on firm value. These similar findings indicate that the ability to meet short term obligations is not consistently the primary basis on which investors assess a company's PBV.

From the perspective of signaling theory, the absence of a significant effect of CR on PBV may be understood because liquidity information conveys an ambiguous signal. A high current ratio may indicate an ability to meet obligations, but it may also reflect idle funds or current assets that have not been allocated productively. (Spence, 1973) emphasizes that a signal is effective only when it distinguishes the quality of the sender, while (Karasek & Bryant, 2012) and (Bergh et al., 2014) explain that investor responses depend on the content and credibility of the signal. In the telecommunications industry, investors may focus more on long term cash flows and the ability to finance network investment than on CR alone. Management should therefore maintain adequate liquidity while ensuring that current assets support operations and productive investment.

The Effect of Growth on Firm Value

The test results show that growth has a probability of 0.7320, which is greater than 0.05. Growth therefore does not have a significant effect on firm value, and H5 is rejected. In telecommunications companies, the benefits of network and technology investments require time before they are realized through increases in subscribers, revenue, earnings, and cash flows. Asset construction may also occur before demand reaches optimal capacity, while additional assets increase depreciation and maintenance costs. The market may therefore wait for evidence of asset monetization and utilization before assigning a higher valuation.

These non significant results are consistent with (Putri et al., 2024), (Sunardi, 2022), and (Boenyamin & Santioso, 2023), who all found that asset growth does not have a significant effect on firm value. Specifically, (Sunardi, 2022) obtained these results for telecommunications companies, while (Boenyamin & Santioso, 2023) found similar results for banking companies. The consistency of these findings across sectors suggests that an increase in assets does not automatically lead to market appreciation until the additional capacity is proven to boost productivity, revenue, profits, and cash flow.

From the perspective of signaling theory, the absence of a significant effect of asset growth on PBV may be understood because asset growth is not always a credible signal of quality. According to (Spence, 1973), a signal has value when it reduces information asymmetry, while (Karasek & Bryant, 2012) and (Bergh et al., 2014) emphasize that investors assess the content, credibility, and ability of a signal to distinguish firm quality. In telecommunications companies, network and technology development requires time to reach optimal utilization and generate cash flows, while additional assets also increase depreciation and maintenance expenses. Management should therefore link asset expansion to measurable targets for monetization, network utilization, revenue growth, and investment returns.

Conclusion

This study concludes that leverage and firm size are significant financial determinants of firm value among the variables examined in telecommunications companies listed on the Indonesia Stock Exchange during 2019–2025. Leverage has a positive and significant effect on firm value, indicating that H2 is supported, whereas firm size has a negative and significant effect, indicating that H3 is supported. In contrast, profitability, liquidity, and growth do not have significant effects on firm value, therefore, H1, H4, and H5 are not supported.

These findings provide theoretical support for the benefit side of trade-off theory, as debt may increase firm value when its tax shield benefits and the returns generated from productive investment exceed interest costs and financial distress risk. Meanwhile, the negative effect of firm size and the insignificant effects of profitability, liquidity, and growth indicate that financial information is not evaluated solely on the magnitude of

financial ratios. Instead, investors also consider whether company resources are used efficiently and are capable of generating sustainable revenue and cash flows.

From a practical perspective, management should maintain leverage at a controlled level, ensure that debt is allocated to productive investments, improve asset utilization, and accelerate the monetization of network investments. Investors should evaluate the purpose of debt usage, asset productivity, cash flow quality, and the company's ability to convert business expansion into sustainable revenue.

This study is limited to 12 companies observed over seven years, the use of PBV as the sole proxy for firm value, five financial determinants, and a limited number of cross sectional clusters. Although the final inference employed White period cross section clustered robust standard errors with a degrees of freedom correction, the findings should be interpreted cautiously. Future research is encouraged to employ alternative firm value proxies, such as Tobin's Q, and include other determinants, including operating cash flow, dividend policy, corporate governance, business risk, interest rates, and exchange rates.

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