



Determinants of Firm Value with Firm Size as a Moderating Variable

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Abstract: This study aims to determine the effect of Political Connections, Audit Committees, and Institutional Ownership on Firm Value with Firm Size as a moderating variable. This research is an exploratory study conducted to find out and explain more deeply and holistically the characteristics of the variables studied in a situation. The sample used in this study is LQ45 companies listed on the Indonesia Stock Exchange for the period 2022-2024 with a sample of 31 companies. The technical data analysis used in this study is Panel Data Regression and *Moderated Regression Analysis*. The results of the study provide empirical evidence that Political Connections affect Firm Value, Audit Committees affect Firm Value, Institutional Ownership affects Firm Value, Firm Size moderation can strengthen the influence of Political Connections on Firm Value, Firm Size moderation can strengthen the influence of Audit Committees on Firm Value, and Firm Size moderation can strengthen the influence of Institutional Ownership on Firm Value.

Keywords: Political Connections; Audit Committee; Institutional Ownership; Firm Value; Firm Size.

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Introduction

Firm value encapsulates shareholders' appraisal of both realized and prospective corporate performance, and it is distilled from market-determined equity prices. Shareholders regard this appraisal as essential, since it amplifies perspectives on profitability trajectories and long-term viability. Among the multiple metrics invoked by capital-market practitioners, market capitalization commands broad attention as it represents the aggregate value assigned to a company by multiplying the market price of each unit of equity by the aggregate number of outstanding units at a designated moment (Pavone, 2019). Corporations systematically pursue operational excellence and position fortification, believing that sustained initiatives of this nature will translate into upward corrections to this value indicator. Among the determinants that shape observed levels of market capitalization, the influence of political capital emerges as particularly salient. Strategic actors routinely cultivate ties to political authorities, anticipating that such affiliations will confer formal legitimacy, smooth pathways into nominally open markets, and create streamlined channels to public resources. The Indonesian landscape illustrates the persistence of such networks, from the auspices of the Soeharto administration to the current administration of Prabowo Subianto. The advantage associated with these ties lies in three qualities: a suppression of regulatory interference, accelerated approvals of operating licenses and procurement proposals, and improved negotiation terms on state-

backed finance (Giosi & Caiffa, 2021). By moderating key operational frictions, these connections can thereby elevate a firm's growth trajectories and probability of endurance in otherwise undifferentiated competitive environments.

Recent Indonesian empirical investigations consolidate the proposition that political ties confer tangible advantages to corporations (Angelia & Munandar, 2024; Evalestine Patriarini, 2020; Haryati et al., 2021; Joseline et al., 2021; Nurfitri & Nugrahanti, 2022). Scholarly documentation (Evalestine Patriarini, 2020; Nurfitri & Nugrahanti, 2022) articulates mechanisms whereby political exposure enhances the perceived worth of the firm, as market actors recognise that patronage entitles the firm to potentially monopolised projects, licences and financing regimes. The resulting elevation in the apparent future cash flows raises the prevailing equity discount factor, consequently amplifying market valuations (Joseline et al., 2021). Conversely, alternative empirical regimes (Angelia & Munandar, 2024; Haryati et al., 2021) submit that the correlation of political connection and market value returns not to be significant. Their investigations invoke the countervailing forces of attenuated earnings disclosure rigour, fabrication of agency expenses to appease the clientelist elite, and the recurring resource drain of maintaining patron-client allegiances. The consequence of directional earnings distortion is diminished information quality, which mediates the transmission of political favor to residual stock value.

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The significance of corporate governance instruments, particularly the audit committee, must be assessed when considering the determinants of firm valuation. Formed as an integral part of Good Corporate Governance (GCG) initiatives, the audit committee serves as an intermediary oversight mechanism that aligns the interests of operational management, the board of commissioners, and external stakeholders. Its principal mandate is to safeguard the accuracy and impartiality of financial disclosures through systematic oversight of the internal and external audit functions. By formalising these monitoring activities, the committee is posited to mitigate the persistence of information asymmetries, thereby fortifying the credibility of the firm in the eyes of present and potential investors and, in consequence, raising overall firm value. A review of recent empirical investigations centred on enterprises listed on the Indonesia Stock Exchange substantiates the hypothesised positive nexus between an effective audit committee and firm valuation. Relevant contributions on the topic include Saragih and Tampubolon (2023), Ferjiana and Natalylova (2023), Haryati et al. (2021), Mirnayanti and Rahmawati (2022) and Veny and Putri (2023).

Recent empirical analyses (Eliana Saragih & Tampubolon, 2023; Haryati et al., 2021) substantiate the assertion that an active, well-functioning audit committee serves as a positive mediating variable on firm value, primarily by augmenting the oversight of executive decision-making and by tightly coupling itself to elevated corporate governance norms. Operating under a statutory obligation, the committee delivers disinterested and technically rigorous advice to the board of commissioners, with particular emphasis on the integrity of the financial statements produced by management. This absorptive capacity, rooted in external autonomy, attenuates agency costs and fortifies the protective moat around shareholder wealth. Conversely, an alternative corpus of scholarship invites skepticism regarding the value-add of audit committees. The juxtaposition of findings (Ferjiana & Natalylova, 2023; Mirnayanti & Rahmawati, 2022) reveals that, in selected institutional settings, the very existence of a committee is relegated to a box-ticking exercise, permitting minimal substantive monitoring of financial disclosures. Consequently, the committees neither materially contour the trajectory of corporate profitability nor catalyze observable premiums in market capitalization, remaining, in effect, procedural rather than substantive.

A complementary viewpoint arises from the study by Veny and Putri (2023), which argues that the audit committee may, under certain conditions, impair shareholder value. By enforcing rigor in financial reporting, the committee dampens the latitude that management has to engineer optimistic earnings disclosures. While this tightening up protects the integrity of reported results, the newly unveiled figures can reflect fundamental performance that is below, or at least less inflated than, expectations embedded in the market earlier. The ensuing market adjustment may manifest as an immediate decline in share price, thereby eroding overall firm value. The implication is that audit committees exert an effect of ambiguous sign; their salutary action of curbing potential earnings inflation may also encounter the countervailing penalty of dislodging market optimism. Consequently, their efficacy is context contingent: it hinges upon how adept they are at adjusting corporate transparency to the calibration of investor appetites and the sequential disclosures that the venture is in a position to credibly deliver.

Institutional ownership has been widely investigated as a factor influencing firm value, particularly within the framework of agency theory, which draws attention to the divergence of ownership and control among shareholders and corporate executives. Because of the substantial scale of their equity stakes, institutional investors serve a crucial role in scrutinizing managerial actions and attenuating agency cost concerns. Their concentrated shareholding endows them with the authority to compel executives to align decision-making with shareholder welfare. Within the Indonesian equity market, a robust body of empirical literature corroborates the linkage between institutional holding and market-appraised firm value, as evidenced by assembled findings in the works of Cristofel and Kurniawati (2021), Eliana Saragih and Tampubolon (2023), Ermanda and Puspa (2022), Jamil et al. (2019), Paulina et al. (2022), Putri and Aris (2023), Sari and Wulandari (2021), Suparlan (2019), and Widianingrum and Dillak (2023).

Recent empirical research (Paulina et al., 2022) indicates a positive relationship between institutional ownership and firm value owing to the persistent surveillance exerted by institutional investors over managerial conduct aimed at protecting their capital stakes. Elevated institutional holdings reinforce external governance mechanisms, mitigate agency expenditures, and are consequently anticipated to enhance firm valuation. Analogous inferences are drawn by Cristofel and Kurniawati (2021) who contend that institutional investors, as integral constituents of good corporate governance (GCG), effectively limit managerial opportunism. When rigorous monitoring is instituted, operational efficacy is likely to advance, yielding a corresponding elevation in market value. However, evidence that diverges from this expectation is also apparent. Multiple investigations (Jamil et al., 2019; Sari and Wulandari, 2021; Suparlan, 2019) find no pronounced correlation between institutional holdings and market value. The authors of these studies defend the position that, in practice, institutional investors frequently lack the capacity to influence routine managerial choices and, at times, may converge their interests with those of the executive team to the detriment of minority shareholders, thereby attenuating their effectiveness as governance agents.

Additional research (Ermanda & Puspa, 2022; Sari & Wulandari, 2021) reveals that institutional ownership can even negatively influence firm value. Increased institutional ownership may encourage stricter monitoring of managerial decisions, which some investors perceive as restrictive and unfavorable. This perception can reduce overall investor interest, particularly when the company appears to prioritize institutional investors over broader public shareholders. Hence, the effect of institutional ownership on firm value remains a subject of debate, with both positive and negative findings reported in the literature.

Firm size is another important factor to consider, as it reflects a company's scale based on its total assets. Larger firms are often perceived as more stable and capable of sustaining growth, which in turn enhances their attractiveness to investors. The current study aims to examine whether determinants such as political connections, audit committees, and institutional ownership significantly influence firm value, while also considering firm size as a moderating variable. Larger companies are generally expected to achieve higher firm value due to stronger market positions and greater access to resources (Utami, Nugroho, et al., 2024).

According to agency theory, the relationship between shareholders and managers creates potential conflicts of interest, particularly due to information asymmetry (Utami et al., 2020). Managers, having more access to internal information, may act in ways that diverge from shareholder interests. Financial reports are therefore critical in reducing this asymmetry, as they provide evidence of whether management has fulfilled its obligations to shareholders (Utami, Setiany, et al., 2024).

A company is said to have political connections when its major shareholders, company leaders, and board of commissioners have a history of involvement with the government, either as members of parliament, ministers, or other government officials, or have ties to politicians or political parties. Agency Theory views political connections within a company as leading to high agency costs, and companies with political connections tend to be *risk-takers*, with a greater likelihood of failure. Companies with political connections will be more cautious in making any decision, with the aim of gaining recognition from the government and improving the company's image, thus prioritizing long-term benefits over short-term gains for the sake of business continuity. The research results Ahmad Tarmizi & Brahmana, (2022); Arifin et al., (2022); Ganguly et al., (2023); Ganguly & Mishra, (2023); Nugrahanti & Nurfitri, (2022) provide empirical evidence that political connections influence firm value. The use of political connections by members of the board of commissioners and directors can provide advantages that can be used as a means to increase share prices. Increasing share prices can increase firm value. Therefore, the hypothesis in this study is:

H1: Political connections influence Firm Value

The audit committee is responsible for overseeing financial reports, external audits, and monitoring the corporate governance system by overseeing financial reports and external audits. The audit committee plays a crucial role in maintaining the integrity of the financial reporting process and ensuring adequate control. If the audit committee performs its duties effectively, transparency in the financial reports will be credible. This will attract capital market attention, thereby increasing the company's value. The research findings Bataiieh & Soumadi, (2020); Dwi Lestari & Setiany, (2023); Kusnawan et al., (2023); Simandjuntak & Murwaningsari, (2022) provide empirical evidence that the existence of an audit committee impacts firm value. Previous empirical research has shown that audit committees with high integrity and experience in their respective fields of study will have professional knowledge and understanding of financial reports. A professional audit committee can enhance the company's value and credibility, which in turn can increase investor confidence in investing in the company, thereby increasing the company's value. Therefore, the research hypothesis is as follows:

H2: Audit Committee influences Firm Value

A higher percentage of institutional ownership can increase the control of company owners over management behavior, ensuring it aligns with the company's objectives. By achieving these objectives, the company's value will increase. Institutional ownership is believed to influence the running of a company, which ultimately impacts the company's value in achieving its goal of maximizing firm value. Institutional investors are significant shareholders and also possess substantial funding. Ownership by institutional investors, such as government institutions, private

institutions, domestic, and foreign, will encourage increased and more optimal oversight of management performance and firm value. Previous research conducted by Doğan, (2020); Holly et al., (2023); Juliana et al., (2023); Riris Marintan Purba, (2019); Suriawinata & Nurmalita, (2022); Wafiyudin et al., (2020) provides empirical evidence on the influence of institutional ownership on firm value. This is because institutional ownership is important for controlling management because institutional ownership will increase maximum oversight of management performance, so that decision-making by management will be more careful, which will ultimately impact firm value. Therefore, the hypothesis in this study is as follows:

H3: Institutional Ownership Influences Firm Value

A company's size can generally be categorized as large or small. A company's size can be determined by total sales and total assets, as seen in financial reports and the number of employees. Firm Size is a measure of a company's scale, as seen from total assets at the end of the year. Total sales can also be used as a benchmark to measure a company's size. High sales indicate that the company has substantial capital and assets, enabling it to support large-scale production processes. Therefore, high sales will undoubtedly impact a company's value. Large companies tend to require a positive image to attract relationships and investors. A larger company assumes that it is widely recognized, making it easier to increase its value. Total assets represent a company's financial capacity to carry out operational activities. The greater the total assets, the larger the company. Large companies tend to have the opportunity to increase their value. (Ramdhonah et al., 2019). Research Ha & Frömmel, (2020) shows that Firm Size moderates the influence of political connections on firm value. This research Natalia Kristanti & Mulya, (2024) provides empirical evidence that Firm Size can moderate the influence of the audit committee on firm value, while this research Dihadjo & Hersugondo, (2023) provides empirical evidence that Firm Size moderates the effect of institutional ownership on firm value. This can be interpreted as meaning that large-scale companies are favored by investors because they are perceived to have stable finances and a strong commitment to performance. Good company performance will attract investors. If investors make large investments, it will increase the company's stock price. Increasing stock prices will also increase the company's value. Therefore, the hypothesis in this study is:

H4: Firm Size moderates the influence of Political Connections on Firm Value

H5: Firm Size moderates the influence of the Audit Committee on Firm Value

H6: Firm Size moderates the effect of Institutional Ownership on Firm value.

Based on this description, the influence between variables or research models can be described as follows:

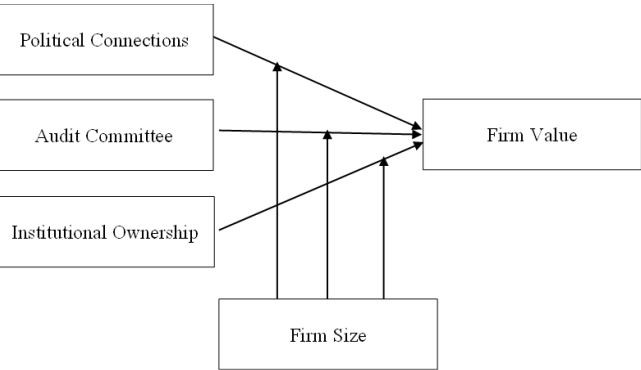


Figure 1: Research Framework

Materials and Method

The present investigation is classified as exploratory research. As stated by Bougie (2020), “exploratory inquiries undertake to illuminate with greater precision the attributes of particular variables within a circumscribed milieu, thereby furnishing scholars with enhanced insight into the structuration of their mutual dependencies”. This study is anchored in a design deploying panel data, which Bougie (2020) defines as a dataset that aggregates cross-sectional units observed at a single time horizon

with time-series variables observed over designated intervals. The resultant composite affords a comparatively superior evidential basis for dynamic phenomena than any single-data modality could supply.

The empirical focus is confined to firms classified within the LQ45 index of the Indonesia Stock Exchange, comprising a total of 45 constituent enterprises for the horizon 2022 through 2024. Sample selection is governed by the purposive-sampling protocol, whereby observations are drawn in conformity with advance stipulations calibrated to the analytical aims of the inquiry. This criterion-referential mechanism yields a final cohort of 31 firms for investigation, thus safeguarding the analytical integrity of the sample by including only enterprises that manifest the requisite attributes for substantive exposure.

Panel data regression constitutes the principal methodological device for hypothesis evaluation in this study, complemented by moderated regression analysis to interrogate both the isolated and joint effects of the predictors. Such a combinatorial approach is anticipated to optimize inferential validity by harnessing the rich cross-sectional and temporal attributes of the dataset. The operationalization of the variables under consideration is outlined immediately hereafter:

Table 1: Operationalization of Variables

Variables	Definition	Indicator	Scale
Firm value (Y)	Firm value is defined as a value that reflects the company's performance in the form of share price where this value will be a reference value for investors where investors are willing to pay if the company sells its shares (Kyaw et al., 2024).	Tobin's Q	Ratio
Political Connections (X ₁)	Political Connections is a condition in which a company, such as a commissioner or Director, holds a concurrent political position or a major shareholder holds a concurrent political position, namely president or vice president, minister, senior government employee or member of parliament (Ramly et al., 2020).	▪ 1 = Politically Connected ▪ 0 = Not Politically Connected	Nominal
Audit Committee (X ₂)	This committee is a subcommittee of the executive board that is responsible for overseeing the quality and integrity of accounting, financial reporting systems, internal system controls, and compliance with applicable regulations (Rusnaldi et al., 2022).	Σ Audit Committee	Ratio
Institutional Ownership (X ₃)	Institutional Ownership is the amount of share ownership by institutions (government, foreign companies, financial institutions such as insurance, banks and pension funds) in a company (Hasan et al., 2022).	(Number of shares owned by the institution)/(Outstanding share) x 100	Ratio
Firm Size (Z)	Firm Size is a measure that describes the size of a company which can be assessed from the total value of the company's assets (Arsyada et al., 2022).	LN Total Assets	Ratio

Results and Discussion

The Political Connection variable, due to its categorical measurement scale, uses descriptive statistics in the form of

frequencies to determine the proportion of Political Connections among the total data observations. Based on the descriptive statistical analysis, the following sample description is obtained:

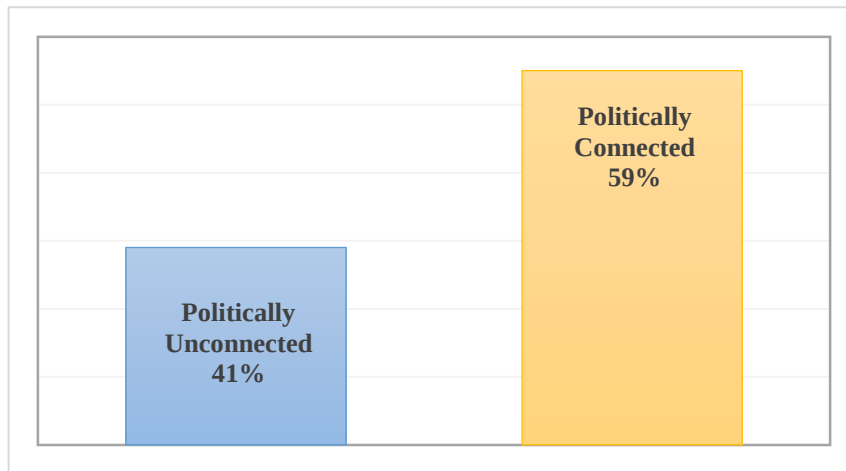


Figure 2: Frequency of Political Connections

Based on the chart above, 59% of the companies in the data observations used are politically connected, while 41% of the companies in the data observations used are politically connected. This illustrates that the majority of LQ45 companies listed on the

Indonesia Stock Exchange have political connections among their commissioners. The following table presents a description of the variables Institutional Ownership, Audit Committee, Firm Value, and Firm Size:

Table 2: Descriptive Statistics Based on Variables

	N	Minimum	Maximum	Mean	Standard Deviation
Audit Committee	93	3.00	8.00	3.8710	1.24434
Institutional Ownership	93	17.00	95.82	63.7537	17.12899
Firm values	93	.44	3.92	1.4954	.87219
Firm Size	93	30.42	35.23	32.2601	1.31135

According to the aforementioned table, the Audit Committee during the research period exhibited an average value of 3.87, with a maximum of 8 and a minimum of 3, while the standard deviation was 1.24. This indicates that the sampled companies had an average of 3 to 8 Audit Committee members, with the minimum of 3 members observed in Adaro Energy Company, Chandra Asri Petrochemica, Charoen Pokphand Indonesia, Goto Gojek Tokopedia, Hanjaya Mandala Sampoerna, Indah Kiat Pulp & Paper Corporation, Indo Tambangraya Megah, Indocement Tunggal Prakarsa, Indofood CBP Sukses Makmur, Indofood Sukses Makmur, Kalbe Farma, Medco Energi Internasional, Media Nusantara Citra, Bank Central Asia, Semen Indonesia (Persero), Unilever Indonesia, United Tractors, and Vale Indonesia, while the maximum of 8 members was found in Bank Rakyat Indonesia Company. The mean Institutional Ownership throughout the research period was 63.7, with a maximum of 95.8 and a minimum of 17.00, while the standard deviation was 17. This indicates that the average ownership by institutions in the sampled companies was 62.75%, with a peak of 95.82% and a trough of

17%. XL Axiata has the greatest institutional ownership of shares, whilst Gojek Tokopedia has the lowest institutional ownership. The mean firm value during the study period was 1.49, with a maximum of 3.92 and a minimum of 0.44, accompanied by a standard deviation of 0.87. This indicates that firm value reflects investors' perceptions of the company's future profit-generating capacity and asset utilization. Hanjaya Mandala Sampoerna recorded the highest Tobin's Q value, while Bank Syariah Indonesia had the lowest. The mean firm size throughout the research period was 32.26, with a maximum of 30.42 and a minimum of 35.23, while the standard deviation was 1.31. Bank Mandiri has the most LN Total Assets, whilst Indo Tambang Raya had the lowest LN Total Assets.

In testing the Model I hypothesis, we will analyze the coefficient of determination, test the simultaneous effect (F test), and test the partial effect (t test). The statistical values of the coefficient of determination, F test, and t test are presented in Table 3.

Table 3: Hypothesis Testing Model I

Cross-section fixed effects test equation:

Dependent Variable: Y

Method: Panel Least Squares

Date: 08/09/25 Time: 17:54

Sample: 2022 2024

Periods included: 3

Cross-sections included: 31

Total panel (balanced) observations: 93

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.462111	0.313111	1.475868	0.1435
X1	-0.019731	0.008702	-2.267389	0.0258
X2	18.79722	1.790217	10.49996	0.0000
X3	0.691926	0.314867	2.197517	0.0306
R-squared	0.570610	Mean dependent var		2.599265
Adjusted R-squared	0.556137	SD dependent var		1.976130
SE of regression	1.316559	Akaike info criterion		3.429978
Sum squared residual	154.2661	Schwarz criterion		3.538907
Log likelihood	-155.4940	Hannan-Quinn criter .		3.473960
F-statistic	39.42367	Durbin-Watson stat		1.143251
Prob(F-statistic)	0.000000			

Based on the results of the hypothesis testing for model I above, the results of the hypothesis testing in the research can be concluded as follows:

Table 4: Hypothesis Testing Results

Hypothesis	Coefficient	Prob.	Information
H ₁	-0.019	0.02	Accepted
H ₂	18.79	0.00	Accepted
H ₃	0.31	0.03	Accepted

The data corroborated the first hypothesis, indicating that Political Connections influence Firm value. The second hypothesis was also validated, demonstrating that the Audit Committee affects Firm value. Furthermore, the third hypothesis was confirmed, establishing that Institutional Ownership impacts Firm value. The findings of the initial hypothesis test offer empirical support indicating that political ties affect corporate value. This discovery is consistent with the results of earlier studies. Ganguly and Mishra (2023), Ahmad Tarmizi and Brahmana (2022), Nurlaela et al. (2024), Nugrahanti and Nurfitri (2022), Arifin et al. (2022), and Ganguly et al. (2023) assert that political connections significantly impact firm value, providing empirical evidence that politically connected companies in Indonesia leverage these connections to obtain business advantages. Nonetheless, when analyzed from a statistical perspective, the findings of this study indicate that the presence of politically linked firms may diminish a company's

worth. In this instance, political connections adversely affect the company's worth, as firms with such affiliations often incur political liabilities; the greater the extent of a company's political connections, the more entangled it becomes with other politically related entities. Political obligations of gratitude, particularly manifested via legislation, are anticipated to jeopardize the collective interests of stakeholders, eventually detrimental to the company's long-term viability and perceived poorly by investors. Conversely, firms led by politically connected individuals tend to possess a relatively worse societal perception, as such CEOs are frequently linked to bribery and corruption. Consequently, firms with significant political affiliations are perceived to have inferior performance relative to those devoid of such linkages. This may adversely affect the firm's valuation from the perspective of investors, leading to increased caution over investment in the company. Moreover, political protection acquired may be forfeited with a change in the governing regime, resulting in enterprises dependent on such protection from government facing losses. This may also diminish corporate performance and eventually decrease firm worth.

The findings of the second hypothesis test offer empirical support indicating that the Audit Committee affects Firm value. This research finding aligns with the results of the prior study. Dwi Lestari & Setiany (2023), Simandjuntak & Murwaningsari (2022), Kusnawan et al. (2023), and Bataiieh & Soumadi (2020) assert that the presence of an Audit Committee can enhance Firm value. The empirical findings align with the notion that the primary role

of the audit committee is to support the Board of Commissioners and the Board of Directors in fulfilling their supervisory responsibilities, which encompass evaluating the company's internal control system, the quality of financial reports, and the efficacy of the internal audit function.

The responsibilities of the audit committee are directly associated with evaluating the risks encountered by the organization and ensuring adherence to legislation (Mardessi, 2022). Theoretically, the presence of an audit committee can enhance firm value and bolster investor confidence due to (1) the perceived credibility of monitored financial reports; (2) the mitigation of fraud risk, as an effective supervisory mechanism curtails opportunities for financial report manipulation; and (3) the improvement of operational efficiency, as robust internal controls enable management to concentrate more effectively on performance. This study contradicts the findings of Mishra & Raithatha (2024) and Alit Dwi Maha Dewi & Wirawati (2024), which provide empirical evidence indicating that the audit committee does not influence firm value. This discrepancy may arise from (1) the audit committee serving merely as a formality, disregarding regulations; (2) the lack of accounting or financial expertise among its members; and (3) infrequent committee meetings, rendering the supervisory function ineffective.

The findings of the third hypothesis test offer empirical evidence indicating that Institutional Ownership affects Firm value. The findings of this study align with the research conducted by Holly et al. (2023), Suriawinata and Nurmalita (2022), Juliana et al. (2023), Doğan (2020), and Wafiyudin et al. (2020), which

empirically demonstrates that Institutional Ownership affects Firm value. This indicates that institutional investors possess shares held by an institution, characterized by their high level of expertise, substantial resources, and effective execution of ownership responsibilities. Institutional ownership refers to the percentage of shares held by institutions relative to the total shares issued by the firm. The analytical results indicate a considerable impact of institutional ownership on company value, suggesting that the behavior of institutional ownership factors affects firm value, aligning with the perspective of agency theory. This theory elucidates the existence of a disparity between the principal and agent resulting from a conflict of interest. This conflict of interest incurs agency expenses that the corporation must absorb. Augmenting institutional ownership in a corporation is regarded as a viable strategy to mitigate agency conflict, since it ensures oversight of managerial performance. In this context, institutional ownership typically serves as a regulatory body for corporate operations. Increased institutional ownership correlates with enhanced efficiency in asset use and is anticipated to mitigate potential waste by management.

In testing the hypothesis of model II using *Moderated Regression Analysis* (MRA) by conducting an interaction test by multiplying the independent variable by its moderating variable, the stages that will be carried out are the determination coefficient analysis, simultaneous effect testing (F test), and partial effect testing (t test). The statistical values of the determination coefficient, F test, and t test are presented in Table 5.

Table 5: Hypothesis Testing Model II

Dependent Variable: Y

Method: Panel Least Squares

Date: 08/09/25 Time: 20:13

Sample: 2022 2024

Periods included: 3

Cross-sections included: 31

Total panel (balanced) observations: 93

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.823287	0.275349	2.989973	0.0036
X1Z	1.040617	0.130078	7.999939	0.0000
X2Z	0.066622	0.025830	2.579248	0.0115
X3Z	0.017063	0.000707	2.414349	0.0178
R-squared	0.501185	Mean dependent variable		2.579677
Adjusted R-squared	0.484371	SD dependent var		1.978885
SE of regression	1.420985	Akaike info criterion		3.582635
Sum squared residual	179.7085	Schwarz criterion		3.691564
Log likelihood	-162.5925	Hannan-Quinn criter .		3.626618
F-statistic	29.80758	Durbin-Watson stat		0.994961
Prob(F-statistic)	0.000000			

Based on the results of the hypothesis testing for model II above, the results of the hypothesis testing in the research can be concluded as follows:

Table 6: Hypothesis Testing Results

Hypothesis	Coefficient	Prob.	Information
H ₄	1,040	0.00	Accepted
H ₅	0.066	0.01	Accepted
H ₆	0.017	0.01	Accepted

The data corroborated the fourth hypothesis, demonstrating that Firm Size moderates the impact of Political Connections on Firm value. Similarly, the fifth hypothesis was validated, indicating that Firm Size moderates the effect of the Audit Committee on Firm value. Furthermore, the sixth hypothesis was affirmed, showing that Firm Size moderates the influence of Institutional Ownership on Firm value. The findings from the fourth hypothesis testing offer empirical evidence that Firm Size moderates the effect of Political Connections on Firm value. The study's results furnish empirical evidence that the Firm Size variable can enhance the correlation between Political Connections and Firm value, indicating that larger companies possess significant market value and a reputation that necessitates protection, thereby prompting companies to adhere to regulations and govern their practices accordingly. The study's findings corroborate the research of Ha and Frömmel (2020), which shown that Firm Size moderates the impact of Political Connections on Firm value. The results offer empirical evidence that business Size enhances the association between political ties and business value. Consequently, it can be inferred that the correlation between political ties and business value is not consistently autonomous and is affected by business Size. Despite the company's size, the existence of political links diminishes corporate value in the context of this research. Moreover, huge corporations will undoubtedly preserve their image among stakeholders. Consequently, huge corporations retain the capacity to mitigate their opportunistic behaviors that might jeopardize the organization in both the short and long term, due to the oversight they endure from the public, so averting agency conflicts. This study contradicts the findings of Angraeni et al. (2022). This study presents empirical data indicating that business size does not influence the relationship between political ties and corporate value. This is due to the fact that huge corporations may already have adequate resources and influence, rendering political ties less impactful on total business value. Nonetheless, political ties may serve as a significant benefit for huge corporations to foster favorable relations with the government, sway legislation, or secure a competitive edge.

The findings of the fifth hypothesis test offer empirical evidence that Firm Size moderates the effect of the Audit Committee on Firm value. This result offers empirical evidence that the Firm Size variable can enhance the relationship between the Audit Committee and Firm value. It indicates that larger companies possess significant market value and reputation, which necessitates protection. Consequently, these companies are more inclined to maintain and improve their reputation, thereby exhibiting a reduced propensity to engage in actions that could diminish it. The findings of this study corroborate the research conducted by Natalia Kristanti and Mulya (2024), which asserts

that company Size considerably moderates the link between audit committee competence and company value, hence enhancing the effect of audit committee competence on firm value. The size of the business can enhance the impact of the audit committee on firm value. The results suggest that Firm Size, determined by the logarithm of total assets, reflects the company's condition, with larger firms possessing resource advantages, including effective governance mechanisms exemplified by the presence of an audit committee that serves as a monitoring entity.

The findings of the sixth hypothesis test offer empirical evidence that Firm Size moderates the effect of Institutional Ownership on Firm value. The results offer empirical evidence that the Firm Size variable might enhance the link between Institutional Ownership and Firm value, indicating that Firm Size serves as a reinforcing element in this relationship. The findings of this study align with the research conducted by Dihardjo and Hersugondo (2023), indicating that “business Size positively moderates the relationship between institutional ownership and business value”. This study's results demonstrate that Firm Size influences firms' ability to secure funding. Large corporations own substantial assets that might entice prospective investors in securing funding sources; an increase in Firm Size will provide favorable news for possible investors. Firm size will enhance the impact of institutional ownership on firm value.

Conclusion

The research findings empirically demonstrate that Political Connections, the Audit Committee, and Institutional Ownership all exert an impact on Firm value. Additionally, in Model I, which investigates the Impact of Political Connections, both the Audit Committee and Institutional Ownership concurrently have a considerable effect on the variable of Firm value. This study presents empirical evidence that the moderation of Firm Size enhances the impact of Political Connections, the Audit Committee, and Institutional Ownership on Firm value. Furthermore, the empirical analysis of Model II demonstrates that the moderation of Firm Size exerts a collective impact on Firm value. This study's suggestions and limitations indicate a need for further research to examine external influences, such as economic conditions and stakeholder pressure, which may impact firm value. The sample is restricted to companies indexed in LQ45, which is intended to reflect the overall state of the Indonesia Stock Exchange; however, this assumption may be inadequate. Consequently, future research should encompass all companies listed on the Indonesia Stock Exchange and employ a more comprehensive set of measurement indicators for each variable to develop various statistical equation models that will enhance the research outcomes.

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