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Exploring the Nexus of Dividend Policy, Third-Party Funds, Financial Performance, and Company Value: The Role of IT Innovation as a Moderator

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Abstract: This research investigates the connection between dividend policy, third-party funds, financial performance, and company value, with a focus on IT Innovation as a moderating factor. This research was conducted using a quantitative approach, utilizing Commercial Banks listed on the Indonesia Stock Exchange categorized as BUKU 4 Banks during the period of 2016–2022. This study employed Partial Least Squares (PLS) analysis with WarpPLS 6.0 software as the tool for data analysis. This research concludes that dividend policy does not significantly impact financial performance and company value, while third-party funds have a significant positive effect on both financial performance and company value. Although dividend policy does not directly affect company value, its impact may occur through the mediation of financial performance. Additionally, IT Innovation serves as a moderating factor that strengthens the positive relationship between third-party funds and financial performance towards company value. The novelty of this research lies in the development of a more comprehensive model or concept regarding dividend policy, third-party funds, financial performance as a mediating variable, and company value when considering IT Innovation as a moderating variable.

Keywords: dividend policy; third-party funds; financial performance; company value; IT innovation

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1. Introduction

The economic crisis in 1997 and the lingering effects of the 2008 global financial crisis had significant negative impacts, especially on the banking sector. These dynamic economic changes demand a deep understanding of the factors influencing company value. Company value as defined by Hirdinis (2019) is the investors' perception of a company often associated with its stock price. The experience of the global financial crisis highlights the need to enhance financial performance effectiveness to prevent a decline in company value.

The financial performance and company value of commercial banks have a direct impact on economic stability and affect public trust in the financial sector. These banks also play a crucial role in supporting investment and economic growth through financial services and credit provision. The findings of this research can assist the government in designing effective policies to maintain economic stability. Moreover, these banks are also connected to the global economy, and thus this research has broader implications in the international context. For example, by the end of 2022, the market capitalization of the Indonesia Stock Exchange (IDX) was recorded at IDR 9499.14 trillion. BBCA remained solid as the stock with the largest Market Cap, followed by BMRI and BBNI.

As of the end of trading in 2022, the market capitalization (Market Cap) of the Indonesia Stock Exchange (IDX) was recorded at IDR 9499.14 trillion. Based on data compiled by DataIndonesia.id, two banking issuers occupied the top positions as the largest market capitalization stocks (big cap), namely PT Bank Central Asia Tbk. (BBCA) and PT Bank Mandiri Rakyat Indonesia (Persero) Tbk. (BMRI). Out of 825 issuers whose stocks were listed on the IDX, PT Bank Central Asia Tbk. (BBCA) remained in the top position with the largest market capitalization reaching IDR 1043.46 trillion. This value proportion is equivalent to 10.98% of the total Market Cap. By the end of trading on 30 December 2022, the price of BBCA shares was at IDR 8550 per share. The strength of BBCA's shares was accompanied by positive financial performance. As of September 2022, the company's profit grew by 24.81% to IDR 28.95 trillion from IDR 23.20 trillion as of September 2021.

Furthermore, the second largest market capitalization stock was occupied by PT Bank Mandiri Rakyat Indonesia (Persero) Tbk. (BMRI) with a value reaching IDR 456.21 trillion. This value is equivalent to 7.80% of the current total Market Cap with a share price as of 30 December 2022 at IDR 4940 per share. Considering BMRI's fundamental performance throughout September 2022, the company's net profit surged by 103.34% to IDR 39.16 trillion from IDR 19.26 trillion previously. Therefore, research on the factors influencing the company value of BUKU 4 Commercial Banks in Indonesia is important, because the commercial banks categorized as BUKU 4 in Indonesia have significant core capital. Banks with large capital tend to be more stable and have higher credibility in the banking industry (Thakor 2014).

Dividend policy plays a role in influencing the stability of a company's value. Conflicts of interest may arise between shareholders seeking high dividends for immediate returns and company management preferring to retain earnings for long-term internal investments or business development (Kanakriyah 2020). Consequently, this misalignment can cause uncertainty in the valuation of the company, especially when the dividend policy does not align with investor expectations or the company's strategic objectives. A deeper understanding of these conflict dynamics can help companies manage their dividend policies more effectively, avoiding negative impacts on the company's value.

Kanakriyah's (2020) research concludes that Dividend Yield (DY), Dividend Payout Ratio (DPR), and Firm Size have a significant relationship with company performance. Stock price increases are always associated with company value, financial success, or the company's ability to attract investors. If the company's financial performance is satisfactory, the prospects for profit increase, leading to an increase in dividends distributed to shareholders. Stocks with high purchasing power indicate strong demand, resulting in increased company value. Conversely, if financial performance is bad, investors may be less interested in acquisition, eventually leading to selling their shares. As a result of these share sales, supply increases, and stock prices decrease.

Investment in physical capital (such as machinery, equipment, and infrastructure) is also one of the main factors driving long-term economic growth (Sondakh et al. 2021). This investment can be financed using internal company capital or by accessing funds from third parties, such as bank loans or bond issuances (Carbo-Valverde et al. 2021; Beyhaghi 2022). The use of third-party funds allows companies to increase their investments, which in turn can increase production capacity and productivity (Busch et al. 2021). In relation to a company's financial performance, the use of third-party funds can provide benefits in the form of access to additional capital for investment (Kleinert et al. 2020). However, the use of third-party funds also brings interest burdens and repayment obligations (Akindeire 2020), which can affect profitability and liquidity. Therefore, it is important to manage the use of third-party funds wisely to align with the company's financial policy and long-term growth objectives.

In this context, companies must ensure that the use of third-party funds is directed towards investments that enhance their productivity (Butler and Cornaggia 2011), thereby positively impacting financial performance (Li and Chen 2019). However, companies must carefully consider their financial strategies and policies and manage the risks associated with the use of third-party funds to achieve sustainable economic growth (Maulayati et al. 2020) and strong financial performance (Li and Chen 2019).

The objective of this study is to construct a comprehensive model that encapsulates the multifaceted dynamics of dividend policy, third-party funds, financial performance, and company value, with IT Innovation acting as a moderating element. By integrating these diverse components into a singular framework, the research aims to provide a holistic viewpoint on the determinants of financial success within Indonesian banks. This approach enhances the originality and novelty of this study, and its findings are poised to offer invaluable guidance to stakeholders, regulatory bodies, and financial institutions operating in the dynamic and evolving landscape of Indonesian banking.

In this paper, we first provide an overview of the background and significance of our research topic. In Section 2, we explore the literature review and hypotheses development, wherein we outline the theoretical framework and propose hypotheses based on existing research. Section 3 details the research design and methodology, explaining the experimental setup and procedures employed in our study. Moving forward, Section 4 presents the results obtained from our study, followed by Section 5, which discusses these findings within the context of the existing literature. Finally, in Section 6, we draw conclusions by summarizing key findings.

2. Literature Review and Hypotheses Development

2.1. Literature Review

In this study, we anchor our analysis on three foundational theories: agency theory, signaling theory, and growth theory.

2.1.1. Agency Theory

Agency theory describes the relationship between owners (principals) and agents within an organization or company. This theory assumes that owners and agents have different interests within the organization, and the presence of information imperfections and the inability to monitor directly leads to agency problems (Jensen and Meckling 2019). Company owners want agents to act in the best interests of the company and achieve predetermined goals (Gupta et al. 2022). However, agents tend to have their own motivations and may take actions that are not in line with the owners' interests. This theory suggests that owners and agents can establish contractual relationships that regulate tasks, responsibilities, incentives, and supervision to protect the owners' interests.

Inkpen and Sundaram (2022) state that managers have personal goals that conflict with the goal of maximizing shareholder wealth. Managers are empowered by the owners of the company, namely the shareholders, to make decisions, and this creates potential conflicts over interests referred to as agency theory. Agency problems arise in two forms, namely between company owners (principals) and management (agents) and the influence between shareholders and bondholders (creditors). The agency problem refers to potential conflicts of interest between agents (managers) and external shareholders or creditors. Agency theory related to ownership structure shows mechanisms for overcoming agency problems. Jensen and Meckling (2019) state that the higher the ownership structure controlled by insiders (management), or the lower the one controlled by outsiders, the more agency problems are reduced because of the increased alignment between management interests and the interests of the owners, most of whom are management themselves. The same thing also occurs in companies where there are large block shareholders, which typically consist of institutional shareholders who have high abilities to control managers (Ramalingegowda et al. 2021).

2.1.2. Signaling Theory

Signaling theory refers to the conceptual framework proposed by Ross in 1977. In this theory, it is explained that executive management of companies has better access to information and tends to communicate this information to prospective investors (Ross in Yasar et al. 2020). The presence of positive information ("good news") obtained by the company about future prospects is expected to increase the company's stock value. Overall, the availability of information is closely related to signaling theory.

Spence (2002) used the labor market as a model for educational signals in formulating signaling theory. Prospective employers often have limited information about the quality of prospective employees. Therefore, prospective employees receive education to convey signals about their quality and reduce information asymmetry. These signals are considered reliable because prospective employees with low quality will not be able to face the challenges of higher education. Spence's model differs from human capital theory because it reduces the role of education in increasing worker productivity and focuses more on education as a means of communicating previously unobservable characteristics of prospective employees (Kharouf et al. 2020).

Signaling theory is based on the assumption that there is an information imbalance between the parties involved. This theory relates to the existence of information asymmetry between company management and parties with an interest in that information (Santoso et al. 2023; Liu et al. 2020). Therefore, managers need to provide information to interested parties through the publication of financial reports. These financial reports serve as signals transmitted by managers to reduce information imbalances and provide insights to interested parties regarding the company's performance and financial condition (Liu et al. 2020). The signaling process incurs costs called deadweight costing, with the aim of convincing investors about the company's value (Carré and Le Maux 2024).

2.1.3. Growth Theory

According to Solow (2016), Growth Theory is one of the theories that attempts to explain social change phenomena, especially in developing countries. This theory was developed by several experts with the aim of improving the socio-economic conditions of societies in those countries. Growth theory emphasizes the importance of sustainable economic growth, improving living standards, and reducing social inequalities (Solow 2016). This theory acknowledges that societies in developing countries face specific challenges and obstacles in achieving progress, such as a lack of resources, political instability, and wealth distribution inequalities. To address these conditions, Growth Theory provides a framework for identifying policies and strategies that can enhance economic growth, reduce poverty, and improve the quality of life in developing countries.

The concept of company growth presented by Penrose in 1959 in his book *The Theory Of The Growth Of The Firm* states that company growth is the result of the accumulation and development of internal and external resources (Kor et al. 2016). This concept emphasizes the importance of company capabilities and management ability in managing resources, identifying opportunities, and taking strategic steps to achieve sustainable growth. In the view of Edith Penrose, company growth depends not only on external market factors, but also on how the company can utilize and optimize its resources to create value added and improve its performance (Kor et al. 2016). Sustainable growth can reflect a company's ability to generate added value, increase market share, expand operations, and achieve higher profits (Zhou et al. 2022). However, it should be noted that company growth also needs to be balanced with good management and appropriate risk management to provide long-term value to company stakeholders.

2.2. Hypothesis Development

2.2.1. Dividend Policy, Financial Performance, and Company Value

When a company adopts an aggressive dividend policy and distributes most of its profits as dividends, this can serve as a positive signal to shareholders and investors. According to signaling theory, high dividend payments can be seen as a signal that management believes in strong company performance and has confidence in good business prospects (Ben Amar et al. 2018). This can increase shareholders' and investors' confidence in the company and create expectations of good future performance. However, if a company adopts a conservative dividend policy and retains most of its profits as internal cash reserves, it can be seen as a positive signal that the company has financial flexibility and sufficient resources to support its growth and business development. Decisions regarding dividend policy should consider factors such as liquidity, cash flow, company growth, investment needs, and shareholder preferences, all in the context of providing clear signals about the financial health and future of the company (Ben Amar et al. 2018). Research conducted by Kanakriyah (2020) states that dividend policy will affect earnings management and financial performance. The indicators used in the previous research on the dividend policy variable are the Dividend Yield and Dividend Payout Ratio, as well as a dummy variable, large dividend, and small dividend. These hypotheses were formulated based on the aforementioned factors and findings of this study.

Hypothesis 1 (H1). *Dividend policy significantly affects financial performance.*

The company's dividend policy serves as an important signal to investors about its financial health and future potential. Consistently paying stable or increasing dividends indicates strong performance and growth prospects, boosting investor confidence and company value. This policy choice also reflects the company's confidence in its future and its financial management practices, influencing investor perceptions and company value. Signaling theory suggests that dividend policy communicates valuable information to investors about the company's quality and prospects. Research, including Ramirez and Ferrer's (2021) study, supports the positive impact of dividend policy, particularly the Dividend Payout Ratio, on company value, as indicated by Tobin's Q, consistent with other findings (Dang et al. 2021; Kim et al. 2021; Manoel et al. 2022; Seth and Mahenthiran 2022). These hypotheses were formulated based on the aforementioned factors and findings of this study.

Hypothesis 2 (H2). *Dividend policy significantly affects company value.*

2.2.2. Third-Party Funds, Financial Performance, and Company Value

Third-party funds, comprising external financial resources like customer deposits, bank loans, or issued bonds, serve as crucial additional funding sources for a company's operations (Song et al. 2018). Consequently, they provide access to the capital needed for investments, product development, market expansion, and infrastructure improvements, thus positively impacting financial performance. Moreover, third-party funds influence liquidity and the company's ability to meet short-term obligations. Sufficient access enables effective cash flow management, timely obligations, and risk avoidance, enhancing financial stability and reputation (Ali et al. 2021). Growth Theory underscores sustainable growth and financial improvement (Penrose 2009). Third-party funds play a pivotal role in facilitating growth by enabling operations expansion, new product development, market reach broadening, acquisitions, and other investments. Effective utilization supports growth and enhances financial performance, benefiting shareholders and fostering competitiveness through increased resources for innovation and development (Song et al. 2018; Ali et al. 2021; Penrose 2009). These hypotheses were formulated based on the aforementioned factors and findings of this study.

Hypothesis 3 (H3). *Third-party funds significantly affect financial performance.*

Third-party funds play a crucial role in providing companies with additional financial resources for growth, expansion, investment, research, and operational needs (Ko and McKelvie 2018). Access to these funds enhances company value by facilitating business opportunities and improving liquidity management, thereby instilling stakeholders' confidence in the company's financial stability and ability to manage challenges effectively. Signaling theory suggests that the utilization of third-party funds can signal positive information about the company's quality and future prospects to stakeholders (Arzubiaga et al. 2023). Companies accessing these funds under favorable conditions demonstrate confidence and transparency, building trust and positively influencing stakeholders' perceptions of company value. Research indicates that third-party funds significantly contribute to company value, particularly in stock prices (Huy et al. 2019; Titisari et al. 2020). These hypotheses were formulated based on the aforementioned factors and findings of this study.

Hypothesis 4 (H4). *Third-party funds significantly affect company value.*

2.2.3. Financial Performance and Company Value

Good financial performance is crucial for a company's success, signaling its operational strength and future prospects to stakeholders, especially investors (Awaysheh et al. 2020). Strong financial performance, characterized by factors like revenue growth and profitability, enhances investor confidence and positively impacts company value (Samo and Murad 2019). Investors typically use fundamental valuation methods to assess company value, giving higher valuations to companies with solid financial performance (Awaysheh et al. 2020). Additionally, positive financial performance contributes to a company's reputation, increasing trust among stakeholders and ultimately enhancing company value (Samo and Murad 2019). Agency Theory emphasizes the relationship between shareholders and management, highlighting the importance of incentives and effective monitoring in driving optimal results and maximizing company value (Jensen and Meckling 2019). Research by AL Anssari (2023) supports the positive influence of financial performance on company value, reinforcing the significance of maintaining strong financial performance for long-term success. Additionally, the study by AL Anssari (2023) is corroborated by the findings of An and Yoon (2023). These hypotheses were formulated based on the aforementioned factors and findings of this study.

Hypothesis 5 (H5). *Financial performance significantly affects company value.*

2.2.4. IT Innovation as Mediator

If a company implements effective IT Innovation in managing third-party funds, it can enhance the quality of fund management, minimize the risk of inefficient fund utilization, and improve decision making regarding the allocation and use of these funds (Yang and Li 2018). In this regard, IT Innovation can strengthen the positive influence of third-party funds on company value. The underlying theory for this relationship is Agency Theory. Agency Theory highlights the relationship between company owners (principals) and company management (agents) (Jensen and Meckling 2019). In this context, IT Innovation can reinforce oversight and control over the use of third-party funds by company management, thereby enhancing the trust of company owners and company value. These hypotheses were formulated based on the aforementioned factors and findings of this study.

Hypothesis 6 (H6). *IT Innovation acts as a moderating variable in the influence of third-party funds on company value.*

Pervan and Dropulic (2020) found that factors related to integrated information systems (IIS), such as IIS analytical capabilities and scope, impact a company's financial performance, measured by Return On Assets (ROAs). They suggest that IT Innovation can moderate the relationship between financial performance and company value, strengthening or weakening this connection. Signaling theory explains how IT Innovation moderates this relationship by serving as a signal to investors and external stakeholders. Effective IT Innovation enhances signals of innovation, efficiency, and competitiveness, reinforcing positive signals when paired with strong financial performance. Consequently, companies that effectively combine strong financial performance with IT Innovation can potentially increase their value to investors. These hypotheses were formulated based on the aforementioned factors and findings of this study.

Hypothesis 7 (H7). *IT Innovation acts as a moderating variable in the influence of financial performance on company value.*

In the context of the relationship between dividend policy and company value, IT Innovation does not directly moderate this relationship because the primary focus of IT

Innovation is more related to improving operational efficiency, product development, and user experience. The implementation of IT Innovation requires significant time and resources, which can divert the company's focus from dividend decisions and evaluating company value. Although IT Innovation can have a positive impact on the long-term performance of the company, its influence on dividend policy and company value is more indirect, influenced by factors such as generated profits, market sentiment, and industry regulations. Therefore, IT Innovation plays more of an additional factor in influencing the overall context in which dividend policy and company value are considered, rather than directly moderating this relationship.

Based on the explanation above, the conceptual framework of this research can be constructed in Figure 1, shown below.

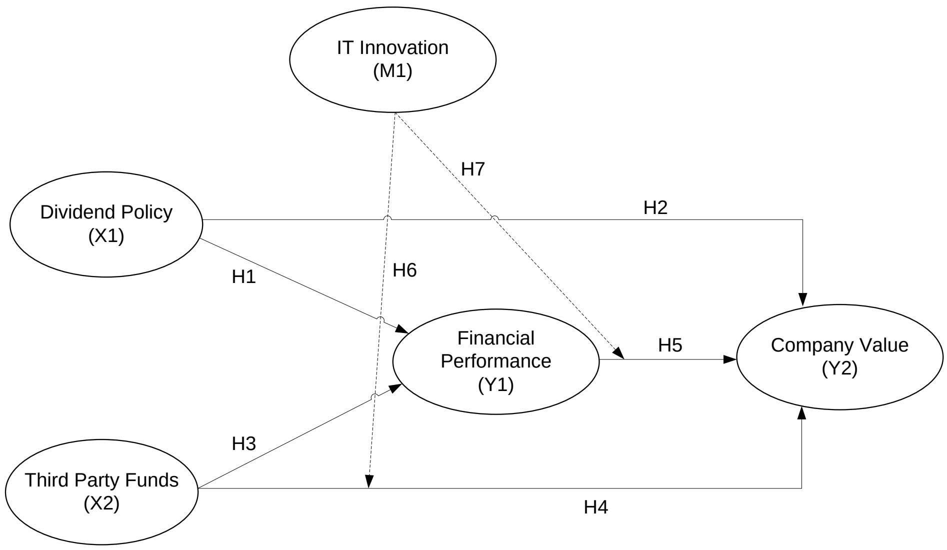

Figure 1. Conceptual framework.

3. Research Design and Methodology

3.1. Research Design

Based on the complexity of the issue, this study is segmented into three categories: exploratory research, descriptive research, and explanatory research (Solimun et al. 2017). Aligned with its objectives, this research intends to explicate the influence of the examined variables, thereby constituting explanatory research. In the endeavor to elucidate this relationship, statistical modeling is conducted, specifically structural equation modeling (SEM). The variables examined in this study include dividend policy, third-party funds, financial performance, company value, and IT Innovation.

Dividend Policy: Dividends are a form of payment made by a company in the form of cash or shares to the shareholders of a company as a proportion of the number of shares owned by the owner. Dividends are profit distributions given by the company issuing the shares for the profits obtained by the company (Rochmah and Ardianto 2020).

Third-party Funds: Third-party funds are private funds that account for the majority of funds collected by banks and are the main source of funds that banks rely on for their daily operations. External bank loan funds and public funds are all used as working capital by banks. Third-party funds (obtained from the general public) are the most common source of funds for banks (Dendawijaya 2004).

IT Innovation: Information technology innovation (IT Innovation) refers to the development and implementation of creative solutions involving information technology to create added value in an organization or society. IT Innovation involves the use of new information technology, updates or changes to existing technology, as well as the innovative application of information technology to achieve business goals or solve complex problems (Laudon and Traver 2020).

Financial Performance: The definition of financial performance according to Fahmi (2012) is an examination of how successfully a company executes financial performance through the use of excellent and appropriate financial implementation standards. It is possible to understand the financial condition of a company, representing its performance over a certain period of time, by using financial analysis techniques. As the environment changes, it is critical to maximize the use of resources.

Company Value: Hirdinis (2019) defines company value as investors' perception of the company, which is often linked to share prices. The main goal of a company according to company theory is to maximize wealth or company value. Maximizing the value of a company is very important for a company because by maximizing company value, a person also maximizes shareholder wealth, which is the main goal of the company. To understand in detail the operational definition of variables in research used as the basis for creating a questionnaire, you can refer to the following Table 1.

Table 1. Operational definition of variables.

Variable	Indicator	Source
Dividend policy	Dividend Payout Ratio	Seth and Mahenthiran (2022)
	Dividend Yield	Kanakriyah (2020)
Third-party funds	Giro	Kustina et al. (2019)
	Deposit	Kustina et al. (2019)
	Savings	Kustina et al. (2019)
Financial performance	Return On Assets	Riadi (2018)
	Non-performing Loan	*Surat Edaran No. 6/23/DNP tanggal 31 Mei 2004*
	Loan-to-Deposit Ratio (LDR)	*Surat Edaran Bank Indonesia Nomor 13/30/DNP*
	Net Interest Margin (NIM)	*Surat Edaran Bank Indonesia Nomor 13/30/DNP*
Company value	Stock Prices	Dyl and Elliott (2006)
	Tobin's Q	Adiputra and Hermawan (2020)
IT Innovation	The Number of Internet Banking Users	Ashiru et al. (2023)
	The Number of Mobile Banking Users	Ashiru et al. (2023)
	The Number of Automated Teller Machine Users	Ashiru et al. (2023)

This research was conducted using a positivist (quantitative) approach. Quantitative research uses a deductive thinking process in formulating research hypotheses. The quantitative approach in this research uses a survey method, namely taking samples from the population. The unit of analysis for this research is commercial banks listed on the Indonesia Stock Exchange. The population of this research is 46 commercial banks listed on the Indonesia Stock Exchange during 2016–2022. In this study, sampling was carried out because it was not feasible to examine all members of the population, which consisted of 46 commercial banks, which was not feasible from the aspects of time, costs, and human resources.

The sampling method used in the research is purposive sampling with the following criteria:

(1) Commercial banks registered on the IDX during the 2016–2022 period.
(2) Commercial banks that are included in the BUKU 4 category. Commercial banks that are included in the BUKU 4 category in Indonesia have quite a large core capital. The main reason for using banks with large capital as samples in this study is to provide a stronger representation of the banking industry. Banks with large capital tend to be more stable and have higher credibility in the banking industry (Thakor 2014). Large enough capital indicates that these banks have sufficient financial resources to

overcome economic challenges and risks that may arise. This provides confidence in the analysis results taken from banks with large capital. Banks with large capital tend to have greater influence in financial markets and may operate in a wider range of economic sectors. Apart from that, the selection criteria for commercial banks that are included in the BUKU 4 category have been further narrowed down by selecting banks that are included in the BUKU IV category starting in 2020 since the COVID-19 pandemic began, where these banks still have large capital. Therefore, the analysis results from these banks can provide insight into the influence between financial performance, company value, and broader economic activity.

(3) Commercial banks that innovate in the IT sector. As regulated in the Financial Services Authority Regulation (POJK) Number 12/POJK.3/2018 concerning the Implementation of Digital Banking Services by Commercial Banks, it regulates digital banking services, which states that competition in the financial services industry is increasing, encouraging banks to improve the quality of services provided to customers. This is one of the initiatives to improve bank capabilities, utilizing advances in information technology more appropriately to encourage innovation in bank services and create service continuity for consumers.

Based on 3 sample selection criteria, the number of samples selected was 6 commercial banks, as follows: Bank CIMB Niaga, Bank Danamon, Bank Negara Indonesia (BNI), Bank Central Asia (BCA), Bank Mandiri, and Bank Rakyat Indonesia (BRI). Data analysis was carried out using statistical methods, namely the PLS (Partial Least Squares) analysis model using the WarpPLS package computer program (Solimun et al. 2017), for the following reasons: (1) the analysis model is multilevel and the structural equation model fulfills the recursive model and (2) the measurement of latent variables, namely every variable that cannot be measured directly. The conceptual framework of this research connects the relationship between variables, where dividend policy and third-party funds influence company value, mediated by financial performance with IT Innovation as a moderating variable.

3.2. Methodology

The location of this research is at the Indonesia Stock Exchange, focusing on public banking companies listed there during the period from 2016 to 2022. The main objective of this study is to examine the influence of two independent variables, namely dividend policy and third-party funds, on dependent variables that include financial performance and company value. Additionally, this research aims to test the moderating role of IT Innovation in influencing the relationship between these variables.

The data used in this research were obtained through access to secondary data from annual reports and financial statements of each bank listed on the Indonesia Stock Exchange (IDX) during the specified period. These data were obtained through the official website of IDX, which is www.idx.co.id (accessed on 1 January 2020). The data for this research are pooled data, where pooled data are a combination of time series data and cross-sectional data. The cross-sectional data refer to 6 companies, while the time series data cover the period from 2016 to 2022. Therefore, the unit of analysis was pooled data, calculated as $t \times n = 7 \times 6 = 42$.

4. Results

4.1. Descriptive Analysis: Profile of Research's Respondents

Since 2012, Bank Indonesia has issued regulations that categorize banks into four specific categories. These regulations were later updated by Financial Services Authority Regulation No. 6/POJK.03/2016 regarding Business Activities and Network of Offices Based on Bank's Core Capital. In essence, the regulations aim to govern the classification of banks based on their business activities according to their core capital size. This classification is known as the Commercial Bank Business Activity Classification (BUKU).

The regulations also apply to commercial banks, Islamic commercial banks, and Islamic business units.

BUKU 4 represents banks with a minimum core capital of IDR 30 trillion. There are 10 banks included in BUKU 4, as shown in Table 2.

Table 2. Profile of research respondents (bank classified as BUKU 4).

Banks	Description
OCBC NISP (NISP)	IDR 31.28 trillion equity, known for reliable and innovative banking services, focuses on customer needs and technology development.
Bank Tabungan Pensiunan Nasional (BTPN)	IDR 32.86 trillion equity, specializes in services for pensioners and retail segments, committed to providing value-added financial solutions.
Bank Permata (BNLI)	IDR 35.65 trillion equity, maintains identity under Bank Mandiri, emphasizes innovative banking services for corporate and retail sectors.
Bank Panin Dubai Syariah (PNBN)	IDR 39.83 trillion equity, excels as an Islamic bank, committed to Sharia principles and innovative Islamic banking products.
CIMB Niaga (BNGA)	IDR 45.27 trillion equity, offers affordable and innovative banking services for corporate and retail sectors with CIMB Group support.
Danamon (BDMN)	IDR 47.48 trillion equity, shows positive growth, provides diverse financial products and services.
Bank Negara Indonesia (BNI-BBNI)	IDR 131.38 trillion equity, a major player in supporting the national economy across various sectors.
Bank Central Asia (BCA-BBCA)	IDR 221.37 trillion equity, known for efficient and innovative banking services, significantly contributes to national economic transactions.
Mandiri (BMRI)	IDR 252.08 trillion equity, plays a central role in national economic development, offering diverse banking services.
Bank Rakyat Indonesia (BRI-BBRI)	IDR 303.39 trillion equity, focuses on microbanking and small business credit services, crucial for Indonesia's microeconomic stability.

4.2. Measurement Model Evaluation: Outer Model

The initial step in conducting SEM analysis using the WarpPLS approach is to explore indicators that can be used as measures of latent variables. Significant indicators imply they can be used as measures of latent variables. Additionally, to simplify the interpretation of inter-variable influences, only indicators with positive factor loadings and component weights are used. Factor loadings are for reflective indicator models, while component weights are for formative indicator models. The outer model evaluation is shown in Table 3.

Based on the analysis results in Table 3, it can be observed that all variables had positive and significant weight. Therefore, no indicators are excluded from the model, as all indicators meet the criteria for being used to measure the variables.

Table 3. Measurement model evaluation.

Variable	Indicator	Indicator Model	Weight	*p* Value
Dividend policy (X1)	Dividend Payout Ratio (X1.1)	Formative	0.532	<0.001
	Dividend Yield (X1.2)	Formative	0.532	<0.001
Third-party funds (X2)	Giro (X2.1)	Formative	0.339	0.001
	Deposit (X2.2)	Formative	0.353	<0.001
	Savings (X2.3)	Formative	0.355	<0.001

Table 3. *Cont.*

Variable	Indicator	Indicator Model	Weight	*p* Value
Financial performance (Y1)	Return On Assets (Y1.1)	Formative	0.525	<0.001
	Non-performing Loan (Y1.2)	Formative	0.335	0.001
	Loan-to-Deposit Ratio (LDR) (Y1.3)	Formative	0.326	0.001
	Net Interest Margin (NIM) (Y1.4)	Formative	0.523	<0.001
Company value (Y2)	Stock prices (Y2.1)	Formative	0.882	<0.001
	Tobin's Q (Y2.2)	Formative	0.882	0.001
IT Innovation (M1)	ATM (M1.1)	Formative	0.316	<0.001
	Mobile Banking (M1.2)	Formative	0.589	<0.001
	Internet Banking (M1.3)	Formative	0.578	<0.001

4.3. Structural Model: Hypothesis Testing (Direct Effect), Indirect Effect, and Moderation Effect

Evaluation of parameters indicates causal relationships with other latent variables. A causal relationship is considered non-significant if the *p*-value is <0.05. Table 4 provides a summary of the coefficient calculations in the Warppls analysis.

Table 4. Estimation results and testing of direct and moderation effects.

Variable			Path Coefficient	*p*-Value	Test Results	Conclusion
Predictor		Response				
Direct Effect						
Dividend policy (X1)		*Financial performance* (Y1)	0.071 ns	0.274	Not Significant	H1 Not Supported
Third-party funds (X2)		*Financial performance* (Y1)	0.595 **	<0.001	Significant	H3 Supported
Dividend policy (X1)		*Company value* (Y2)	0.105 ns	0.184	Not Significant	H2 Not Supported
Third-party funds (X2)		*Company value* (Y2)	0.268 **	0.008	Significant	H4 Supported
Financial performance (Y1)		*Company value* (Y2)	0.323 **	0.002	Significant	H5 Supported
Moderation Effect (Interaction Variable)						
Variable			**Path Coefficient**	***p*-Value**	**Test Results**	**Conclusion**
Predictor	**Moderation**	**Response**				
Third-party funds (X2)	*IT Innovation* (M1)	*Company value* (Y2)	0.383 **	<0.001	Significant	H6 Supported
Financial performance (Y1)	*IT Innovation* (M1)	*Company value* (Y2)	0.521 **	<0.001	Significant	H7 Supported

Notes: ns = not significant at 0.05; ** $p < 0.01$.

Based on the hypothesis testing results presented in Table 4, there are seven effects among the research variables. Out of these seven effects, two are found to be non-significant, while five show significant relationships between the variables. Therefore, in this study, five hypotheses are accepted, and two hypotheses are rejected.

The rejected hypotheses are as follows:

Hypothesis 1 (H1): dividend policy significantly affects financial performance.

Hypothesis 3 (H3): third-party funds significantly affect financial performance.

The accepted hypotheses are as follows:

Hypothesis 2 (H2): dividend policy significantly affects company value.

Hypothesis 4 (H4): third-party funds significantly affect company value.

Hypothesis 5 (H5): financial performance significantly affects company value.

Hypothesis 6 (H6): IT Innovation acts as a moderating variable in the influence of third-party funds on company value.

Hypothesis 7 (H7): IT Innovation acts as a moderating variable in the influence of financial performance on company value.

As mentioned earlier, in SEM, there are two types of effects, namely direct effects and indirect effects. Table 5 below presents the indirect effects using WarpPLS analysis.

Table 5. Estimation results and testing of indirect effects.

Variable			Path Coef.	*p* Value
Predictor	**Mediation**	**Response**		
Dividend policy (X1)	Financial performance (Y1)	Company value (Y2)	0.023	0.037 (Significant)
Third-party funds (X2)	Financial performance (Y1)	Company value (Y2)	0.192	0.009 (Significant)

Based on the hypothesis testing results as presented in Table 5, it is found that there are two indirect effects among the research variables. Out of these two indirect effects, all indirect effects between variables are significant.

4.4. Model Fit Indices

The measurement model serves as a link connecting observable variables to hidden ones, aiming to elucidate the relationship between each item and its underlying construct (Byrne 2013). Adequate measurement of these latent variables is essential for analyzing causal relationships among them. Evaluating measurement models involves assessing model fit, reliability, and validity for each factor (Fornell and Larcker 1981). Hair et al. (2009) suggest thoroughly evaluating model fit instead of focusing solely on individual constructs. It is crucial for the measurement model to exhibit a strong fit with empirical data, meeting specific index criteria (Liao et al. 2007). Consistent with guidelines by Hair et al. (2009), this study employed multiple fit indices for robustness (Table 6).

Table 6. Model fit indices.

No.	Indicator Model	Weight	*p* Value	Results
1	Average path coefficient	APC = 0.297 $p = 0.002$	$p < 0.05$	Significant
2	Average R-squared	ARS = 0.414 $p < 0.001$	$p < 0.05$	Significant
3	Average adjusted R-squared	AARS = 0.345 $p < 0.001$	$p < 0.05$	Significant
4	Average block VIF	AVIF = 3.214	acceptable jika AVIF $\leq$ 5 ideal jika AVIF $\leq$ 3.30	Ideal
5	Average full collinearity VIF	AFVIF = 2.464	acceptable jika AFVIF $\leq$ 5 ideal jika AFVIF $\leq$ 3.30	Ideal
6	Sympson's paradox ratio	SPR = 0.767	acceptable jika SPR $\geq$ 0.70 ideal jika SPR = 1	Acceptable
7	R-squared contribution ratio	RSCR = 0.983	acceptable jika RSCR $\geq$ 0.90 ideal RSCR = 1	Acceptable
8	Statistical suppression ratio	SSR = 1.000	acceptable jika SSR $\geq$ 0.70	Acceptable
9	Nonlinear bivariate causality direction ratio	NLBCDR = 0.917	acceptable jika NLBCDR $\geq$ 0.70	Acceptable

Based on the comprehensive assessment of the model's adequacy in Table 6, all criteria have reached the anticipated threshold values (significant, ideal, acceptable) or have satisfied the critical thresholds of the recommended Goodness-of-Fit indices. Consequently, the outcomes of this modeling endeavor are deemed acceptable. It can be affirmed that this examination confirms the quality of variables and the causal connections among them. Moreover, the overall evaluation of the model yields favorable outcomes, indicating that the empirical data have substantiated the theoretical model formulated in this research. Hence, the model is deemed satisfactory and can be employed to elucidate the phenomena under investigation and for hypothesis verification.

5. Discussion

5.1. The Effect of Dividend Policy on Financial Performance

SEM analysis of the influence of Dividend Policy (X1) on Financial Performance (Y1) yielded a direct path coefficient of 0.071 with a p-value of 0.274. Since the p-value is >0.05, it indicates that there is no significant effect of Dividend Policy (X1) on Financial Performance (Y1). This means that whether Dividend Policy (X1) is high or low, it will not result in an increase or decrease in Financial Performance (Y1). Thus, Hypothesis 1 of this study is rejected.

The analysis results indicate that there is no significant influence of Dividend Policy on Financial Performance. This means that Hypothesis 1, which states that Dividend Policy affects Financial Performance, is rejected. It implies that any changes in the Dividend Policy variable do not lead to a significant impact or change in the Financial Performance variable.

This study contradicts the findings of Kanakriyah (2020), who suggested a notable positive correlation between Dividend Policy and Financial Performance. The discrepancy arises from the differing research scopes: Kanakriyah (2020) examined 92 companies in the industrial and service sectors listed on the Amman Stock Exchange (ASE) from 2015 to 2019, while this study focuses on Commercial Banks Book 4. Consequently, it implies that the dividend policies of Commercial Banks Book 4 do not exert an impact on the financial performance of banks striving to optimize outcomes through innovative endeavors. Economic shifts, regulatory changes, or market dynamics may wield greater influence on financial performance than dividend policies, potentially overshadowing their impact. Inadequate data concerning Dividend Policy within Commercial Banks Book 4 could be a contributing factor to the analysis results, especially considering that certain banks, like Bank Panin, OCBC, BTPN, and Bank Permata, abstained from distributing dividends during specific periods, suggesting an absence of a substantial influence between Dividend Policy and Financial Performance.

The lack of a significant correlation between Dividend Policy and Financial Performance in the findings of Commercial Banks Book 4's research could stem from various factors necessitating consideration. Firstly, substantial variations in dividend policies among the banks in the sample might yield inconsistent outcomes. Should certain banks prioritize profit reinvestment for growth and development while others concentrate on dividend disbursements, the analysis results may mirror policy divergence, complicating the formulation of robust conclusions. Moreover, the dearth of dividend data for some banks may pose a significant constraint, impeding analysts' efforts to gain a comprehensive overview of Dividend Policy's impact on financial performance. This data deficiency may yield less precise analysis outcomes and restrict the ability to draw firm conclusions.

Economic and industry conditions also play pivotal roles. Fluctuations or uncertainties in these external factors, such as interest rates or market conditions, may render it challenging to isolate the impact of Dividend Policy. Furthermore, if the banking sector as a whole experiences volatility or structural shifts, this may disrupt the relationship between Dividend Policy and financial performance. Finally, limited analysis timeframes may also influence outcomes. Given that Dividend Policy's impact on financial performance may be long-term, a shorter research period may inadequately reflect its effects. Consequently, extending the analysis duration may be necessary to garner a more comprehensive understanding of this relationship.

From a signaling theory perspective, corporate dividend decisions serve as signals to the market regarding future prospects and the financial robustness of the company. High dividend payouts can be construed as positive signals indicative of management's confidence in future cash flows and the company's financial well-being. Conversely, reductions or omissions in dividend payments may be perceived as negative signals.

Descriptively, these findings suggest several possible scenarios in market practice and perception. Firstly, investors may not regard dividend policies as pivotal factors shaping their investment decisions. Instead, they may prioritize the company's long-term growth, business strategies, and external market dynamics over short-term dividend distributions. This could elucidate why alterations in dividend policies fail to significantly impact the company's financial performance or market valuation. Secondly, the findings may imply that the market has preemptively factored in the dividend policies disclosed by companies. If the market efficiently processes information and dividend policies align with expectations, announcements or policy modifications may not exert a substantial influence on the company's stock price, which serves as a proxy for its value.

Through the lens of signaling theory, companies utilize dividend policies to communicate information to the market about their future outlook and financial stability. Consistent or escalating dividend payments are construed as affirmative signals, signifying management's confidence in future cash flows and the company's solid financial standing. Conversely, a reduction or cessation of dividend payments may be interpreted as a negative signal.

5.2. The Effect of Third-Party Funds on Financial Performance

SEM analysis of the influence of Third-Party Funds (X2) on Financial Performance (Y1) yielded a direct path coefficient of 0.595 with a p-value < 0.001. Since the p-value is <0.05, the positive coefficient indicates a significant and positive influence of Third-party Funds (X2) on Financial Performance (Y1). This means that the higher the Third-party Funds (X2), the higher the Financial Performance (Y1). Therefore, Hypothesis 2 of this study is accepted.

The results demonstrate a significant and positive influence of Third-party Funds on Financial Performance. This suggests that empirically, Third-party Funds are a driving factor for Financial Performance in Book 4 Commercial Banks. Any changes in Third-party Funds will have a significant positive impact on Financial Performance. This implies that the higher the Third-party Funds, the higher the Financial Performance, and vice versa. The positive coefficient indicates a direct relationship. An increase in Third-party Funds leads to higher Financial Performance, and, conversely, a decrease in Third-party Funds results in lower Financial Performance.

The outcomes of this investigation differ from those of Sondakh et al. (2021), who analyzed the effects of third-party funds, credit risk, market risk, and operational risk on profitability within the banking sector, specifically among institutions categorized under BUKU 2. This discrepancy arises because Sondakh et al. (2021) employed multiple linear regression analysis, assessing variables partially, resulting in the conclusion that, partially, third-party funds and credit risk do not exert a significant influence on profitability, while market risk demonstrates a notable positive impact, and credit risk exhibits a substantial negative effect. Overall, these factors, both individually and collectively, significantly impact profitability within the banking realm.

Nevertheless, the outcomes of this study align with the research conducted by Hermuningsih (2019), which explored the influence of third-party funds on the profitability of Islamic banking in Indonesia, utilizing profit distribution as an intervening variable. This study, similarly conducted in Indonesia, featured a sample comprising 10 Islamic banks over the span of 2013 to 2016, selected through purposive sampling methodology. The data utilized were sourced from the financial and annual reports of these Islamic banks. The findings indicate that third-party funds influence profit distribution, whereas larger third-party funds correspond to higher profit distribution. Additionally, profit distribution also impacts profitability, with third-party funds exerting a positive effect on profitability, and profit distribution serving as an intervening variable between third-party funds and profitability.

The significant and positive correlation observed between third-party funds and financial performance in the findings of Commercial Banks Book 4's research can be elucidated by several pivotal factors. Firstly, the expansion of third-party funds may reflect the trust and backing from customers or other external parties toward the bank. Successful fundraising from customers or investors signifies a high level of confidence in the bank's capability to manage and capitalize on the amassed funds.

Furthermore, third-party funds afford financial flexibility to the bank, facilitating the execution of business strategies such as investment in novel products or services, branch expansion, or financing strategic endeavors. This flexibility enhances the bank's ability to generate supplementary income, thereby contributing positively to financial performance. Additionally, third-party funds can impact the bank's funding structure by diversifying funding sources, mitigating financial risks, and reducing dependency on a singular funding avenue.

Moreover, the augmentation of third-party funds can amplify the bank's operational scale, enabling efficiency gains in risk management and operational costs. Such efficiency improvements translate into enhanced profitability and overall financial performance. It is noteworthy that the influence of third-party funds on financial performance may also manifest through cost-effective financing, bolstering net interest margins and overall profitability. Ultimately, third-party funds fortify the bank's capacity to deliver financial services, bolstering competitiveness, expanding market share, and boosting revenue from diverse business activities.

The findings of this study do support Growth Theory in the context of using third-party funds to facilitate company growth. Growth Theory emphasizes the importance of sustainable growth to improve a company's financial performance (Penrose 2009). In this regard, the use of third-party funds can play a significant role in facilitating such growth by providing additional access to financial resources. With adequate access to third-party funds, companies can expand operations, develop new products, broaden market reach, engage in acquisitions, and other investments that can enhance financial performance. Therefore, the effective use of third-party funds has the potential to support company growth and contribute to improved financial performance, in line with the principles of Growth Theory.

5.3. The Effect of Dividend Policy on Company Value

SEM analysis of the influence of Dividend Policy (X1) on Company Value (Y2) yielded a direct path coefficient of 0.105 with a p-value of 0.184. Since the p-value is >0.05, it indicates that there is no significant influence of Dividend Policy (X1) on Company Value (Y2). This means that whether Dividend Policy (X1) is high or low, it will not result in a significant increase or decrease in Company Value (Y2).

The data analysis results show no significant influence of Dividend Policy on Company Value. The variation in Dividend Policy does not lead to a significant increase or decrease in Company Value. However, upon further examination, there is a significant indirect influence of Dividend Policy on Company Value mediated by Financial Performance. The positive coefficient in the indirect influence indicates a direct relationship. The higher the Dividend Policy followed by good Financial Performance, the subsequent result will be an increase in Company Value.

Signaling theory posits that dividend policy can act as a signal to investors regarding a company's quality and future value prospects. This study's outcomes contrast with those of Manoel et al. (2022) because they focused on non-financial companies in Brazil from 2000 to 2019, whereas this study centers on Commercial Banks Book 4. Directly, dividend policy exhibits no significant influence on company value, suggesting that the percentage of net profits of commercial banks paid as dividends to shareholders does not directly affect the company's value. However, the indirect effect of dividend policy on company value, mediated by financial performance, remains notable. Thus, this study extends the findings of Manoel et al. (2022).

The absence of a significant correlation between dividend policy and company value in the results of the Commercial Banks Book 4 study can be attributed to various factors. Primarily, variations in dividend policies among the studied banks may contribute to this outcome. Banks might adopt different strategies for profit distribution, leading to uncertainty regarding the direct influence of dividend policy on company value. Additionally, economic and industry conditions could play a pivotal role. In instances where the banking sector or the economy faces periods of uncertainty or volatility, measuring the direct impact of dividend policy becomes challenging. These external factors can significantly impact market valuation, irrespective of the dividend policies implemented by banks.

However, the discovery of a significant indirect effect of dividend policy on company value through the mediation of financial performance adds depth to the analysis. This suggests that the impact of dividend policy on company value may be reflected through the financial performance it generates. Should dividend policy positively influence net profit, growth, or operational efficiency, it could shape market perceptions of company value. Financial performance, acting as a mediator, implies that well-executed dividend policies can positively influence a company's financial performance, subsequently affecting the company's overall value. For example, balanced dividend payments can offer investors positive signals regarding the company's stability and profitability. It is crucial to acknowledge that the indirect influence via financial performance may signify a more substantial long-term effect of dividend policy on company value, a process that may require time for the impact of financial performance resulting from dividend policies to manifest in market valuation.

5.4. The Effect of Third-Party Funds on Company Value

SEM analysis of the influence of Third-party Funds (X2) on Company Value (Y2) resulted in a direct path coefficient of 0.268 with a p-value < 0.008. Since the p-value is <0.05, and the positive coefficient indicates a significant and positive influence of Third-party Funds (X2) on Company Value (Y2). This means that the higher the Third-party Funds (X2), the higher the Company Value (Y2). Thus, Hypothesis 4 of this study is accepted.

The results show a significant and positive influence of Third-party Funds on Company Value. Empirically, Third-party Funds are identified as a driving factor for Company Value in Book 4 Commercial Banks. Any changes in Third-party Funds result in a significant positive impact on Company Value, meaning that the higher the Third-party Funds, the higher the Company Value, and vice versa. The positive coefficient indicates a direct relationship, where higher Third-party Funds lead to higher Company Value, and conversely, lower Third-party Funds lead to lower Company Value.

This research extends the findings of Titisari et al. (2020), who examined factors influencing firm value in the form of stock prices and stock returns of 30 banking sector companies listed on the Indonesia Stock Exchange from 2015 to 2018. The current study focuses on Book 4 Commercial Banks. If Book 4 Commercial Banks have high-demand deposits, time deposits, and savings deposits, the Company Value in Book 4 Commercial Banks will increase.

This finding aligns with the Growth Theory, which focuses on achieving sustainable growth and enhancing financial performance (Penrose 2009). According to Growth Theory, growth can be measured in various aspects such as revenue, profits, assets, market share, and business expansion. In the context of this study, the significant and positive influence of Third-party Funds on Company Value supports the notion that the growth of a company, facilitated by access to external funds, contributes to its overall value.

Empirically, Third-party Funds are identified as a driving factor for Company Value in Book 4 Commercial Banks. Changes in Third-party Funds have a significant positive impact on Company Value, indicating that higher Third-party Funds correspond to higher Company Value, and vice versa. This direct relationship reflects the essence of Growth

Theory, where the growth of a company, fueled by external funds, leads to an increase in its overall value.

The significant and positive influence between Third-party Funds and Company Value in the results of this study can be explained through several key factors. Firstly, the growth of Third-party Funds may reflect a high level of trust from customers or other third parties in the bank. If the bank successfully raises funds from various sources, this can be interpreted as a sign of confidence in the bank's ability to manage funds effectively and create value. Additionally, Third-party Funds can provide financial flexibility to the bank. The availability of funds from external sources can provide flexibility in implementing business strategies, including investing in new products or services, expanding branches, or financing strategic projects. This flexibility can enhance the bank's capacity to generate additional income and, as a result, contribute positively to the valuation of the company.

Third-party funds can also play a role in stabilizing the bank's funding structure. Having diversified funding sources can help reduce financial risk and dependence on a single type of funding. With a balanced funding base, the bank can mitigate liquidity risk and enhance resilience to market volatility, ultimately creating stability in the valuation of the company. It is important to note that third-party funds can reflect the trust of shareholders, investors, and other stakeholders in the bank's performance and sustainability. This trust can have a positive impact on the company's image and brand value, which, in turn, influences market assessment and company valuation.

Moreover, third-party funds can indicate the bank's capacity to manage risks effectively. A bank that can attract and retain funds from various sources may have effective risk management policies, which can help protect the company's value from market fluctuations. Finally, the growth of third-party funds can indicate that the bank has a successful business strategy and can earn the trust of customers. Strong performance in attracting funds from third parties can illustrate effectiveness in marketing, customer service, and shareholder relationship management, creating an overall positive impact on the valuation of the company.

5.5. The Effect of Financial Performance on Company Value

SEM analysis of the influence of Financial Performance (Y1) on Company Value (Y2) yields a direct path coefficient of 0.456 with a p-value < 0.001. Because p-value < 0.05, the positive coefficient indicates a significant and positive influence of Financial Performance (Y1) on Company Value (Y2). This means that higher Financial Performance (Y1) will result in higher Company Value (Y2). Thus, Hypothesis 5 of this study is accepted.

The results of the SEM analysis show a significant and positive influence of Financial Performance on Company Value. This empirically implies that Financial Performance is a driving factor for Company Value in Bank Umum Buku 4. Any changes in Financial Performance will have a significant positive effect on Company Value, meaning that the higher the Financial Performance, the higher the Company Value, and vice versa. The positive coefficient indicates a direct influence. The higher the Financial Performance, the higher the Company Value, and, conversely, the lower the Financial Performance, the lower the Company Value.

These findings are consistent with the study by An and Yoon (2023), which examines how digital transformation affects financial performance and company value in the KOSPI market in Korea. An and Yoon's (2023) study aims to fill the knowledge gap regarding the impact of digital transformation on financial performance and company value. Their findings show that companies undergoing digital transformation experience different changes in performance compared to those that do not. However, there are some aspects where digitally transformed companies are weaker. The object of this study is Bank Umum Buku 4, so if Bank Umum Buku 4 has a high Return On Assets, Non-performing Loan, Loan-to-Deposit Ratio, and Net Interest Margin, then the Company Value in Bank Umum Buku 4 will also increase.

The significant and positive influence between Financial Performance and Company Value in the results of the study of Bank Umum Buku 4 can be explained through several key factors. Firstly, strong financial performance often reflects the bank's ability to generate consistent profits and growth. If a bank achieves good profitability, revenue growth, and operational efficiency, this can send a positive signal to the market and investors, thereby enhancing the assessment of the company's value.

Furthermore, financial performance can reflect effective risk management. Banks with solid financial performance have good capabilities in managing credit, liquidity, and market risks. Effective risk management can help protect the company's value from potential losses, thereby increasing the confidence of shareholders and investors in the company, resulting in an increase in the company's value. Additionally, positive financial performance can directly impact the bank's ability to access capital and funding at lower costs. If a bank can demonstrate solid financial performance, investors and creditors may be more willing to support it by providing funds at better interest rates or additional capital. This can enhance the bank's bargaining power in the financial market, thereby helping to increase the company's value.

Financial performance also reflects the bank's ability to create added value for shareholders. If a bank can achieve a high return on equity (ROE) or Return On Assets (ROAs), it indicates effectiveness in allocating resources and capital to achieve optimal results. This not only increases shareholder satisfaction but also creates a positive impact on the market's assessment of the company's value. It is important to understand that Financial Performance encompasses not only profitability aspects but also other factors such as revenue growth, cost management, and operational efficiency. The combination of these factors can provide a comprehensive picture of a bank's financial health.

The findings of this study also support the principles outlined in the agency theory, which emphasizes the relationship between shareholders (principals) and corporate management (agents) in financial and operational decision making (Jensen and Meckling 2019). In this context, a company's financial performance can serve as a signal to shareholders regarding the quality of management and the utilization of corporate resources. According to the agency theory, shareholders have a primary interest in maximizing company value. Strong financial performance, including consistent revenue growth, high profitability, and effective risk management, can instill shareholder confidence in corporate management. In this regard, robust financial performance can enhance shareholder trust and consequently increase company value. The agency theory underscores the importance of appropriate incentives for corporate management. Positive financial performance can serve as evidence that management possesses strong incentives to achieve optimal outcomes and maximize company value. Additionally, effective monitoring by shareholders, such as financial performance analysis and comparison with competitors, can further incentivize management to strive for better results and enhance company value.

5.6. IT Innovation Moderates the Influence of Third-Party Funds on Company Value

SEM analysis with the WarpPLS approach regarding IT Innovation (M1) as moderating the influence of Third-party Funds (X2) on Company Value (Y2), obtained a coefficient of the interaction influence path of 0.383 and p-value <0.001. Since p-value <0.05, IT Innovation (M1) is considered a moderating variable. Considering that the influence of Third-party Funds (X2) on Company Value (Y2) is also significant and positive, this indicates that IT Innovation (M1) can strengthen the influence of Third-party Funds (X2) on Company Value (Y2). In other words, the presence of IT Innovation (M1) can enhance the strength of the influence of Third-party Funds (X2) on Company Value (Y2). Thus, Hypothesis 6 of this study is accepted.

In this study, the testing results of IT Innovation as a moderation of the influence of Third-party Funds on Company Value are accepted, indicating that IT Innovation acts as a moderating variable. This finding suggests that IT Innovation significantly has a positive effect or strengthens the influence of Third-party Funds on Company Value. Therefore, the potential of IT Innovation as a moderation of the influence of Third-party Funds on Company Value is proven.

The research results from Bank Umum Buku 4, which demonstrate the acceptance of the IT Innovation moderation on the influence of Third-party Funds on Company Value, provide valuable insights into the role of information technology innovation in the context of Third-party Funds and Company Value. The analysis of these findings involves understanding the relationship between variables and how information technology innovation can moderate the influence of Third-party Funds on Company Value. First and foremost, the relationship between Third-party Funds and Company Value needs to be examined. The growth and acquisition of funds from external sources can provide financial flexibility to banks and support growth initiatives and strategic projects. Third-party Funds can reflect a high level of trust from customers or investors, which can have a positive impact on the company's value.

By incorporating IT Innovation as a moderating variable, the findings indicate that information technology innovation can strengthen the relationship between Third-party Funds and Company Value. This suggests that when banks leverage innovation in information technology, the positive influence of third-party funds on the company's value becomes stronger. This can be seen as a result of the ability of information technology innovation to add value to the bank through improved operational efficiency, the development of innovative products and services, and enhanced customer experience. Information technology innovation in the banking sector may include the development of digital platforms, the integration of artificial intelligence for data analysis, or the expansion of online banking services. By implementing such innovations, banks can leverage third-party funds more effectively, create more adaptive business models, and enhance their competitiveness in the market.

These findings indicate a crucial connection with signaling theory, highlighting how the presence of third-party funds in banks can serve as a positive signal for investors regarding the potential benefits of information technology innovation. Banks with substantial third-party funds may signal their capacity to invest in innovative technology and strategic transformations, thereby enhancing their perceived value in the eyes of investors. Consequently, this underscores the importance of banks strategically incorporating information technology innovation into their third-party fund management approach, aiming to amplify its positive impact on company value. In today's digital age, the adoption of information technology innovation is increasingly imperative for banks to maintain competitiveness and elevate their company value.

5.7. IT Innovation Moderates the Effect of Financial Performance on Company Value

Analysis of SEM with the WarpPLS approach on IT Innovation (M1) as a moderation of the influence of Financial Performance (Y1) on Company Value (Y2), obtained a coefficient of the interaction effect path of 0.521 and p-value < 0.001. Since p-value < 0.05, then IT Innovation (M1) is considered a moderation variable. Considering the significant and positive effect of Financial Performance (Y1) on Company Value (Y2), this indicates that IT Innovation (M1) can strengthen the influence of Financial Performance (Y1) on Company Value (Y2). In other words, the presence of IT Innovation (M1) can enhance the strength of the influence of Financial Performance (Y1) on Company Value (Y2). Therefore, Hypothesis 7 of this study is accepted.

In this study, the results of testing IT Innovation as a moderation of the influence of Financial Performance on Company Value are accepted, namely IT Innovation as a moderation variable. This finding indicates that IT Innovation significantly, with a positive direction, or strengthens the influence of Financial Performance on Company Value. Thus, the potential of IT Innovation as a moderation of the influence of financial performance on Company Value is proven.

Bank Umum Buku 4 has good financial performance and IT Innovation, which can bring out the potential to increase the company's value. With the adoption of good information technology innovations, companies can improve the efficiency and effectiveness of financial performance, which in turn can have a positive impact on the company's value. In other words, IT Innovation can moderate the positive influence between financial performance and company value.

The results of the study on Bank Umum Buku 4, showing the acceptance of the test results of IT Innovation as a moderation of the influence of financial performance on company value, open the door to a deeper understanding of the impact of information technology innovation in the context of financial performance and company value. This finding reflects the important role of IT Innovation as a driver that strengthens the relationship between financial performance and market assessment of company value. First and foremost, it is necessary to examine the relationship between financial performance and company value. Strong financial performance, which includes good profitability, revenue growth, and effective risk management, can enhance the company's value in the eyes of shareholders and investors. Financial performance reflects the company's ability to generate profits and manage financial aspects effectively.

By incorporating IT Innovation as a moderation variable, the research results indicate that information technology innovation can strengthen the relationship between financial performance and company value. This suggests that when a bank implements information technology innovations, the positive impact of financial performance on the assessment of the company's value becomes stronger. This can be seen as a result of the ability of information technology innovation to enhance efficiency, explore new opportunities, and create added value in company operations. Information technology innovation in the banking sector may involve the application of technologies such as artificial intelligence, advanced data analytics, or the development of digital banking applications. By implementing such innovations, banks can improve their ability to adapt to market changes, enhance customer service, and create positive differentiation in the eyes of shareholders.

These findings resonate strongly with agency theory, underscoring the dynamic relationship between financial performance and information technology (IT) innovation in shaping the perceived value of a company. The interaction between financial performance and IT Innovation signifies how strategic investments in technology can serve as mechanisms for aligning the interests of shareholders and management. By leveraging IT Innovations, banks can enhance their operational efficiency, responsiveness to market dynamics, and competitive positioning, thereby fulfilling the interests of shareholders in maximizing company value. Consequently, this research emphasizes the imperative for banks to prioritize the development and integration of IT Innovations into their financial strategies, aiming to optimize shareholder value. In today's digital age, the strategic utilization of IT Innovation emerges as a pivotal factor influencing the performance and value of companies, aligning with the principles of agency theory in fostering shareholder interests and organizational effectiveness.

5.8. Limitations and Future Directions

Based on the research conducted, there are research limitations that need to be noted, namely:

(1) One focus of this study is the role of IT Innovation, but the indicators used are still limited. Meanwhile, technology developments are rapidly evolving. For example, the use of AI (artificial intelligence) may be employed by banks, but it cannot yet be numerically measured as an indicator due to the broad definition of AI usage. Subsequent researchers may consider AI indicators as one of the IT Innovation indicators that can be explored more deeply.

(2) Another limitation of this study is the inability to capture the COVID-19 pandemic conditions, thus not fully reflecting the significant changes resulting from the pandemic. Therefore, there is significant room for further researchers to explore and integrate the impact of the pandemic in similar studies. Future research can be designed to

specifically capture pandemic conditions, considering variables relevant to this global health crisis, and how these conditions affect the phenomenon under study.

Further studies are needed to explore in more depth the factors influencing financial performance and company value, especially in facing the dynamics of changing economic conditions and regulations.

6. Conclusions

In the conclusion of this research, it was found that dividend policy does not have a significant influence on the financial performance and company value of the studied banks. This result indicates a difference from previous studies which showed a positive relationship between dividend policy on financial performance and company value, meaning H1 and H2 are not supported. This finding highlights the complexity of the relationship between dividend policy, financial performance, and company value, with external factors such as fluctuating economic conditions and changing regulations also influencing the analysis results. Therefore, it was found that dividend policy indirectly affects the company's value through financial performance. This research highlights that wisely implemented dividend policies can provide a positive signal to investors, create trust, and support positive assessments of the company's financial health. Strong financial performance, including profitability, operational efficiency, and good risk management, has a significant and positive influence on the company's value. Investments in improving financial performance not only contribute to operational sustainability but also have a positive impact on market assessments and the overall value of the company.

Furthermore, this study shows that third-party funds have a significant and positive influence on financial performance and company value, meaning H3 and H4 are supported. This emphasizes the importance of receiving funds from external sources as an indicator of trust given to the bank, as well as the crucial role of savings growth in improving the financial performance of the bank. Consequently, bank management needs to consider strategies for gathering third-party funds, especially in strengthening the savings base, to improve long-term financial performance and company value.

This study also confirmed that financial performance has a significant effect on company value, meaning H5 is supported. Strong financial performance enhances investor confidence and perception, leading to increased demand for the company's stock and higher market valuation. Additionally, it improves the company's access to capital, enabling strategic initiatives and growth opportunities, while empowering management to make informed decisions aimed at maximizing shareholder value. Ultimately, this correlation underscores the importance of sustainable profitability and efficient resource management in driving long-term shareholder value.

In addition, the adoption of information technology innovation, such as IT Innovation, can strengthen the positive influence of third-party funds and financial performance on the company's value, meaning H6 and H7 are supported. Banks that intelligently adopt information technology innovations can achieve competitive advantages, strengthen their financial performance, and increase the overall value of the company. Therefore, the integration of information technology innovation is crucial in bank management strategies.

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