

## **DETERMINATION BUSINESS EXPENDITURE SYSTEM ON COMPANY PERFORMANCE WITH FIRM SIZE AS A MODERATING VARIABELIN IN ENERGY COMPANIES**

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### **ABSTRACT**

This research aims to analyze the influence of capital expenditure and operating expenditure on financial performance with firm size as a moderating variable. A sample of 189 energy companies listed on the Indonesia Stock Exchange in 2020 - 2022 was obtained using the purposive sampling method. This research uses panel data which has cross section and time series characteristics. The research results show that capital expenditure and operating expenditure have a significant effect on financial performance, and firm size is able to moderate operating expenditure on financial performance. Meanwhile, firm size is unable to moderate capital expenditure on financial performance.

Keywords: Capital Expenditure, Operating Expenditure, Financial Performance and Firm Size.

### **1. INTRODUCTION**

Assets are a fundamental pillar for a company in carrying out its operations. Careful and precise consideration is required when determining assets. Any deviation in asset selection can lead to significant cost implications, posing challenges to the business. If assets are improperly chosen, the following issues may arise are Increased operational costs, suboptimal assets can result in higher maintenance costs or require replacement sooner than expected, the second point is decreased efficiency, Using the wrong assets may reduce productivity, cause delays, or make business processes inefficient. Another issue are asset depreciation and budgeting errors. Therefore, effective asset management requires thorough evaluation, considering asset life cycles, total ownership costs, and the impact on financial performance.

One factor that can influence financial performance from the perspective of asset costs is Capital Expenditure. According to (Kalungan et al., 2017), Capital Expenditure is an investment that will be made in order to acquire fixed assets, increase operational efficiency and productive capacity of fixed assets, as well as extend the useful life of fixed assets in the form of property, plants and equipment. There is a positive relationship between capital expenditure and company financial performance. So the higher the capital expenditure, the higher the company's financial performance, the higher the company's financial performance, the higher the company value (McConnell & Muscarella, 1985).

The next factor is Operating Expenditure. Operating Expenditure is the total commercial costs incurred to support or support the company's activities and activities to achieve predetermined targets. In other words, Operating Expenditure is the costs incurred in connection with the company's operational activity process in its efforts to achieve its goals. maximizing company. Operating Expenditure is expenditure made by a company to carry out its operational activities, such as raw material costs, labor costs and administrative costs. Operating Expenditure functions as costs incurred to carry out the daily activities of a company. Costs are costs in the form of spending money to carry out basic activities, namely in the form of sales and administration costs to obtain (Fadillah, 2020).

The relationship between operating expenditure and financial performance is that operating expenditure can have a significant impact on the financial performance of a company. Operating Expenditure includes costs incurred to run daily operations, such as salary costs, electricity costs and administrative costs. Efficient management of Operating Expenditures can increase profitability. Apart from Capital Expenditure and Operating Expenditure, company size can also influence the company's financial performance. Large companies generally have greater resources, so they can make larger investments and have more efficient operational costs.

In this research, firm size is used as a moderating variable, where the moderating variable is useful for showing whether firm size can strengthen or weaken the influence of capital expenditure on financial performance, and operating expenditure on financial performance. Firm size can moderate the influence of Capital Expenditure on a company's financial performance. Companies with a large size have the ability to bear higher Capital Expenditure, so that high Capital Expenditure can have a positive influence on the company's financial performance (Haryanto & Retnaningrum, 2020). Companies with a large size have the ability to manage operating expenditure more efficient, so that low operating expenditure can have a positive influence on the company's financial performance.

Quoted from the official Business Insight page (2019) entitled The impact of falling oil prices, ApexIndo Pratama Duta, namely in Apexindo's Financial Report 30 September 2018, this company stated that the capital deficiency of \$ 81.66 million occurred due to the company's net loss including due to the amount of liabilities or apexindo's short-term liabilities exceed the total amount of current assets. Losses in a company can come from various sources including financial, operational, reputation and financial performance aspects. Company finances can be impacted by financial losses, while operations can be disrupted by the inability to run business processes efficiently. Reputational losses can arise from scandals or financial misperformance.

Changes in the business environment, legal losses, crises, and poor financial performance can also be a source of loss for the company. Therefore, effective financial performance in identifying, managing and responding to risks is very important to minimize the impact of losses and ensure company sustainability. This means that the losses experienced by PT. Apexindo were influenced by poor financial performance which affected the company's capital expenditure and operating

expenditure, this caused the amount of assets owned by the company to be unable to meet the company's capital expenditure and operating expenditure. In this case the Apexindo company does not have good financial performance. It can be understood that financial performance has a big influence on capital expenditure and operating expenditure, because poor financial performance has a direct impact on the company so that the company experiences losses and is unable to cover its liabilities because of the value of the liabilities. higher than the amount of assets owned.

The above phenomenon is also supported by the results of previous research which had different results or is called gap research. The results of research regarding capital expenditure have been completed by Maulana (2020) who observed that capital expenditure positively influences financial performance. However, research conducted Sudirman (2022) revealed that Capital Expenditure has no effect on financial performance.

## **2. LITERATURE REVIEW**

### **Financial performance**

Financial performance is a description of the company's achievement of success as a result of various activities carried out by the company. Financial performance is an analysis to assess the extent to which the company carries out activities. A company's financial performance is a complete picture of the company's finances over a certain period of time. Financial performance is a description of the financial condition of a company.

### **Capital Expenditure**

Capital expenditure is the costs incurred in order to acquire fixed assets, increase operational efficiency and productive capacity of fixed assets, and extend the useful life of fixed assets (Kalungan et al., 2017). Capital expenditure is considered as the expenditure of company funds which are used and allocated to the company's fixed assets (Haryanto & Retnaningrum, 2019). The implementation of capital expenditure in a company is carried out with the aim of obtaining profits in the future (Haryanto & Retnaningrum, 2019).

### **Operating Expenditure**

Operating Expenditure is costs related to company operations which include selling and administrative expenses, advertising expenses, depreciation and amortization expenses, as well as repairs and maintenance. and maintenance expense). One of the factors that influence profits is costs. Operating Expenditure is expenditure on production costs, transportation costs, administration costs, service costs and others within the company. So, Operating Expenditure itself in product management has its own cost classification and is a cost that is a way of supporting the company. Therefore, Operating Expenditure is classified into two parts, namely sales costs and administrative and general costs.

## **Firm Size**

Firm size is a description of a company's financial capabilities in a certain period. Small companies will tend to have more expensive capital costs and long-term debt costs than large companies. So small companies tend to prefer short-term debt to long-term debt because the costs are lower. Thus, large companies tend to have strong funding sources. Size is a symbol of the size of the company. Firm size is represented by the Natural Log (Ln) of total assets each year.

## **Hypothesis Formulation**

### **The Effect of Capital Expenditure on Financial Performance**

According to Vlaviorine (2023) Capital expenditure is company expenditure to purchase or improve fixed assets, such as buildings, machinery and equipment. Capital expenditure relationships can have a positive influence on a company's financial performance, in several ways, such as increasing productivity and operational efficiency. Capital expenditure can be used to buy new, more sophisticated machines, or to increase production capacity. This can increase the company's operational productivity and efficiency, thereby increasing revenue and profits. Increasing market share, capital expenditure can be used to develop new products or services, or to expand the distribution network.

**H1:** Capital Expenditure has a positive effect on financial performance in energy companies in the oil and gas sub-sector in 2020-2022

### **The Effect of Operating Expenditure on Financial Performance**

According to (Hotang et al., 2020) Operating Expenditure is the costs incurred by a company to carry out its operational activities. These costs consist of various components, such as raw material costs, labor costs, rental costs, electricity costs, and administrative costs. The relationship between Operating Expenditure and the company's financial performance can be positive in general. High Operating Expenditure can also improve the company's financial performance if the Operating Expenditure is used to increase company productivity. For example, Operating Expenditure used to purchase new machines can increase the company's production capacity, thereby increasing the company's income and profitability. Specifically, the relationship between operating expenditure and a company's financial performance can be measured using various financial ratios, such as Return on Assets (ROA). This ratio measures how much profit the company makes from each asset it owns.

**H2:** Operating Expenditure has a positive effect on financial performance in energy companies in the oil and gas sub-sector in 2020-2022

### **The influence of Firm size in moderating Capital Expenditure and Operating Expenditure on financial performance**

According to (Wati et al., 2019) Firm size is one of the factors that can influence a company's financial performance. Companies that have a larger size tend to have better financial performance. This is caused by several factors, namely: The effect of economies of scale, larger companies have higher economies of scale, so they can produce goods and services at lower costs. This can increase company profitability. Management capability, larger companies tend to have more skilled and experienced management. This can increase the company's efficiency and effectiveness in running its business. Access to resources, larger companies tend to have better access to resources, such as capital, technology, and information. This can increase the company's competitiveness.

**H3:** Firm Size can moderate the positive influence of Capital Expenditure on financial performance in energy companies in the oil and gas sub-sector in 2020-2022

**H4:** Firm Size can moderate the positive influence of Operating Expenditure on financial performance in energy companies in the oil and gas sub-sector in 2020-2022

### 3. METHODOLOGY

#### 3.1. Research Design

This research is a quantitative type of research, and uses secondary data sources. Secondary data is data obtained or collected by research from various existing sources. Secondary data in this research was obtained from the BEI website which can be accessed at [www.idx.co.id](http://www.idx.co.id) in the form of financial reports and annual reports from manufacturing companies for the period 2020 – 2022.

#### 3.2. Sample

The sample selection in the research used a purposive sampling technique, namely a technique for determining samples with certain considerations. The considerations in selecting the sample in this research are as follows:

1. Energy sector companies listed on the Indonesian Stock Exchange
2. Energy sector companies listed on the Indonesia Stock Exchange from 2020-2022.
3. Companies that publish 2020-2022 financial reports

The sample selection process in this research based on the above criteria is as follows:

**Table 3.1 Sample Selection Process**

No	Description	Amount
1	Energy sector companies listed on the Indonesia Stock Exchange for the 2020-2022 period	87
2	Energy sector companies that are not listed on the Indonesian Stock Exchange from 2020-2022	(21)
3	Companies that do not publish 2020-2022 financial reports	(3)
4	Research Samples	63

Based on the table above, it shows that the number of research samples that will be used is 63 energy sector companies listed on the Indonesia Stock Exchange for the 2020-2022 period. The amount of data to be studied is 63 x 3, namely 189 data.

### 3.3. Data Collection

The data source used in this research is secondary data in the form of annual reports published by energy companies listed on the Indonesia Stock Exchange in 2020-2022. The annual report was obtained via the official website [www.idx.co.id](http://www.idx.co.id) and the company's official website.

### 3.4. Data Analysis

In accordance with the type of data used in this research, namely secondary data, the data collection technique used in this research is the documentation technique, namely a data acquisition technique by searching for and collecting data related to the variables studied in the research in the form of documents, notes, transcripts, books, previous journals, and so on. The data used is secondary data in the form of the company's annual report from [www.idx.co.id](http://www.idx.co.id) and the company website.

## 4. RESULTS AND DISCUSSION

### 4.1. Result

#### Descriptive Statistics Test Results

**Table 4.1**  
**Results of Descriptive Statistical Analysis**

	ROA	CAPEX	OPEX	FS
Mean	-0.002825	0.509788	1.705709	20.95583
Median	-0.080000	0.353000	0.337000	20.30700
Maximum	1.490000	22.90100	148.4170	28.84600
Minimum	-1.122000	0.000000	-278.7920	12.79600
Std.Dev.	0.207182	1.661864	26.23159	3.944978
Skewness	2.778806	13.03927	-4.926869	0.334920
Kurtosis	27.37377	176.2299	78.46358	2.392983
Jarque-Bera	4921.619	241673.4	45610.80	6.435098
Probability	0.000000	0.000000	0.000000	0.040053
Sum	-0.534000	96.35000	322.3790	3960.651
Sum Sq. Dev.	8.069745	519.2170	129362.1	2925.817
Observations	189	189	189	189

Based on the results of descriptive statistical tests in table 4.1 above, it shows that the number of observations on energy companies listed on the Indonesia Stock Exchange during the 2020-2022 period was 189. The results of descriptive statistical tests carried out on the dependent variable of company financial performance as measured using Return on Assets (ROA) have a minimum value of -1.122000 or -1.122% obtained from PT. Ratu Prabu Energi Tbk (ARTI) in 2020 and a maximum

value of 1,490,000 or 1,490% obtained from PT. Bayan Resources Tbk (BYAN) in 2022. Meanwhile, the mean value is -0.002825 and the standard deviation is 0.207182.

Capital Expenditure as the first independent variable has a minimum value of 0.000000 or 0.000% obtained from PT. Perdana Karya Perkasa Tbk (PKPK) in 2022 and a maximum value of 22,90100 or 22,901% obtained from PT. Sumber Global Energy Tbk (SGER) in 2020, while the mean value is 0.509788 with a standard deviation value of 1.661864. Operating Expenditure as the second independent variable has a minimum value of -278.7920 or -278.792% obtained from PT. Darma Henwa Tbk (DEWA) in 2021 and a maximum value of 148.4170 or 148.417% obtained from PT. Eksploitasi Energi Indonesia Tbk (CNKO) in 2022, while the mean value is 1.705709 with a standard deviation value of 26.23159. Firm Size as a moderating variable has a minimum value of 12.79600 or 12.796% obtained from PT. Atlas Resources Tbk (ARII) in 2020 and a maximum value of 28,84600 or 28,846% obtained from PT. Sumber Global Energy Tbk (SGER) in 2022, while the mean value is 20.95583 with a standard deviation value of 3.944978.

**Panel Data Regression Analysis**

**Determination of Panel Data Estimates**

When estimating using a panel regression model, there are three approaches that are often used, including the Common Effect Model (CEM), Fixed Effect Model (FEM), Random Effect Model (REM):

**Table 4.2**  
**Chow Test Results**

Effect Test	Statistic	df.	Prob.
Cross-Section F	5.031293	(62,121)	0.0000
Cross-Section Chi-Square	240.938896	62	0.0000

Based on table 4.2 above, it can be seen that the crosssection profitability value  $F < 0.05$  is 0.0000 which is obtained from the fixed effect model regression. These results show that the value of cross section profitability is smaller than 0.05, so the regression model chosen is the fixed effect model (FEM), so that the determination of the estimate must proceed to the Hausman test.

**Table 4.3**  
**Hausman Test**

Test Summary	Chi-Sq. Statistic	Chi-Sq. df.	Prob
Cross-section random	3.106868	5	0.6835

Based on the results of table 4.3, it can be seen that the random cross-section probability value  $> 0.05$  is 0.6835 which was obtained from the random effect model regression. These results show that if the value is greater than 0.05, the model chosen is the random effect model (REM) regression, so the estimation determination must proceed to the Lagrange multiplier (LM) test.

**Table 4.4**  
**Lagrange Multiplier Test**

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	61.25106 (0.0000)	1.452733 (0.2281)	62.70380 (0.0000)
Honda	7.826306 (0.0000)	1.205294 (0.1140)	6.386305 (0.0000)
King-Wu	7.826306 (0.0000)	1.205294 (0.1140)	2.569820 (0.0051)
Standardized Honda	8.196110 (0.0000)	1.920822 (0.0274)	1.292710 (0.0981)
Standardized King- Wu	8.196110 (0.0000)	1.920822 (0.0274)	0.701584 (0.2415)
Gourieroux, et al.	-	-	62.70380 (0.0000)

Based on table 4.4 above, it shows that the Breusch-Pagan cross section profitability value is 0.0000 which was obtained from the common effect model regression, where this value is smaller than 0.05, so the regression model chosen is the random effect model, so the results of selecting the best model in this research are random. effect model.

**Panel Data Moderated Regression Model Results**  
**Results of Moderating Regression Analysis**

**Table 4.5**  
**Results of Moderating Regression Analysis**

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	2.810175	0.022718	3.772316	0.0194
CAPEX	0.780223	0.006894	2.513230	0.0375
OPEX	0.976275	0.000531	2.870827	0.0294

Based on table 4.5, the calculation results from the panel data regression test obtained a constant value ( $\alpha$ ) from the regression model = 2.810175 and the regression coefficient for each independent variable obtained capital expenditure = 0.780223, operating expenditure = 0.976275. Based on the constant values and regression coefficients, the relationship between the independent and dependent variables in the regression model can be formulated as follows:

$$\text{ROA} = 2.810175 + 0.780223 \cdot \text{CAPEX} + 0.976275 \cdot \text{OPEX}$$

From the equation above it can be explained as follows:

1. The constant value is 2.810175, this shows that future financial performance will increase by 810175 every time the previous year's financial performance increases assuming other variables remain constant.
2. The capital expenditure variable coefficient (X1) is 0.780223. This shows that there is a positive relationship with financial performance. For every 1% increase in capital expenditure, financial performance increases by 0.780223.



3. The operating expenditure variable coefficient (X2) is 0.976275. This shows that there is a positive relationship with financial performance. For every 1% increase in operating expenditure, financial performance increases by 0.976275.

**Table 4. 6**  
**Results of Moderating Regression Analysis**

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	2.024919	0.001210	2.946863	0.0214
CAPEX	0.983598	0.007048	2.500468	0.0361
OPEX	1.158054	0.000530	2.786907	0.0295
FS	1.204941	0.005634	2.877090	0.0238

Based on the table above, it shows that the equation of the regression results is as follows:

$$\text{ROA} = 2.024919 + 0.983598 \cdot \text{CAPEX} + 1.158054 \cdot \text{OPEX} + 1.204941 \cdot \text{FS}$$

From the equation above it can be concluded that the moderating variable (firm size) has a t-statistic value of 2.877090 with a significant value of  $0.0238 < 0.05$ . This means that firm size can moderate the influence of capital expenditure and operating expenditure on financial performance

**Table 4. 7**  
**Results of Moderating Regression Analysis**

Variabel	Coefficient	Std. Error	t-Statistic	Prob
C	3.387620	0.201648	5.922261	0.0056
CAPEX	0.799482	0.428940	2.063852	0.0464
OPEX	0.907073	0.016870	2.419272	0.0368
FS	1.018618	0.009579	2.794351	0.0253
CAPEX FS	-0.289428	0.020982	1.856027	0.0651
OPEX FS	0.890350	0.000836	2.401829	0.0378

Based on the table above, it shows that the equation of the regression results is as follows:

$$\text{ROA} = 3.287629 + 0.799482 \cdot \text{CAPEX} + 0.907073 \cdot \text{OPEX} + 1.018618 \cdot \text{FS} - 0.289428 \cdot \text{CAPEX\_FS} + 0.890350 \cdot \text{OPEX\_FS}$$

From the equation above, it can be explained as follows:

1. The constant value is 3.287629, this shows that if there is no change in the independent variable the value is constant at 3.287629.
2. The capital expenditure variable coefficient is 0.799482 with a positive coefficient direction. If the value of the other variables is constant and the capital expenditure variable increases by 1%, then the ROA variable will experience an increase of 0.799482. Vice versa, if the value of the other variables is constant and the operating expenditure variable decreases by 1%, then the financial performance variable will experience a decrease of 0.799482.
3. The operating expenditure variable coefficient is 0.907073 with a positive coefficient direction. If the values for other variables are constant and the operating expenditure variable increases by 1%, then the financial performance variable will increase by 0.907073. Likewise, vice versa, if the values of other variables are constant and the operating expenditure variable decreases by 1%, then the financial performance variable will experience a decrease of 0.907073.

4. The firm size variable coefficient is 1.018618 with a positive coefficient direction. If the values for other variables are constant and the firm size variable increases by 1%, then the financial performance variable will increase by 1.018618. Vice versa, if the values of other variables are constant and the firm size variable decreases by 1%, then the financial performance variable will experience a decrease of 1.018618.
5. The coefficient of the capital expenditure variable which is moderated by firm size is 0.289428 and the significant value is 0.0651 with a negative coefficient direction. This means that firm size weakens the influence of capital expenditure on financial performance
6. The coefficient of the operating expenditure variable which is moderated by firm size is 0.890350 and the significant value is 0.0378 with a positive coefficient direction. This means that firm size strengthens the influence of operating expenditure on financial performance.

## **4.2 Discussion**

### **The Effect of Capital Expenditure on Financial Performance**

In this research, the author found the results that capital expenditure has a significant effect on financial performance, this is in accordance with the t value of  $2.252269 > 1.65313$  t table with a significance value of  $0.0486 < 0.05$ . This means that capital expenditure has a significant effect on financial performance in a positive direction. These findings also accept the author's H1 which states that the capital expenditure variable has a positive effect on financial performance.

A high level of capital expenditure reflects that the increasing capital expenditure incurred by a company is expected to increase the use of assets and also improve the performance of a company. capital expenditure can be used as an indicator of good financial performance in a company, especially energy companies listed on the Indonesia Stock Exchange in 2020-2022, which is described through good fixed asset management, because the company has actions that make it seem as if the company management provides a signal to stakeholders so that it describes a condition of the company's development and growth in the future.

### **The Effect of Operating Expenditure on Financial Performance**

In this research the author found the results that operating expenditure has a significant effect on financial performance, this is in accordance with the t value of  $2.960009 > 1.65313$  t table with a significance value of  $0.0251 < 0.05$ . with a significance value of  $0.0486 < 0.05$ . This means that operating expenditure has a significant effect on financial performance in a positive direction. These findings also accept the author's H2 which states that the operating expenditure variable has a positive effect on financial performance.

Operating expenditure is a cost that the company must incur in carrying out various company activities, such as sales costs, administration, etc. With operating expenditure, the company can plan the achievement process. The company must be able to control operating expenditure compared to the income obtained. The more a company is able to reduce operating expenditure, the more the company

has the ability to control expenditure so that the company can increase the potential that will be received directly and will improve financial performance.

**The Influence of Capital Expenditure on Financial Performance with Firm Size as a Moderating Variable**

Based on the test results, it is known that the t value is  $1.856027 > 1.65313$  t table with a significance value of  $0.0651 > 0.05$  so it can be concluded that H3 is rejected. This means that the company is unable to moderate the influence of capital expenditure on financial performance. This is not in line with research conducted by Haryanto and Retraningrum (2020) that the size of a company does not necessarily have the ability to bear higher capital expenditure, so that higher capital expenditure can have a positive influence on the company's financial performance.

The relationship between capital expenditure and a company's financial performance is complex and influenced by various factors, one of which is the company's firm size. However, in some cases, company size cannot always moderate this relationship. Here are some reasons: Companies in one size category (for example, small, medium, large) can have very different characteristics and goals. This causes the moderating effect of firm size on capital expenditure and financial performance to be inconsistent. In other cases, capital expenditure is not only influenced by firm size, but also by various other factors such as industry, technology, market conditions and company strategy. These factors can cause the moderating effect of firm size to be insignificant or even opposite to what was expected.

**The Effect of Operating Expenditure on Financial Performance with Firm Size as a Moderating Variable**

Based on the test results, it is known that t-count is  $2.401829 > 1.65313$  t-table with a significance value of  $0.0378 < 0.05$  it can be concluded that H4 is accepted. This means that firm size is able to significantly moderate the influence of operating expenditure on financial performance.

This research is in line with research by (Haryanto & Retnaningrum, 2020) which states that firm size can moderate operating expenditure on financial performance. Companies with a large size have the ability to manage operating expenditure more efficiently, so that low operating expenditure can have a positive influence on the company's financial performance.

Although company size is not the only factor that influences the relationship between operating expenditure and financial performance, research shows that firm size always moderates this relationship. Larger companies generally have advantages in terms of economies of scale, negotiation capabilities, access to resources, risk diversification, and reputation and brand. These advantages can

help them to achieve higher profitability and better financial performance. It is important to note that this relationship is not always linear and can vary depending on industry, company strategy, and economic conditions.

## 5. CONCLUSION

Based on the results of the research conducted, the conclusions of this research are as follows:

1. Capital expenditures have a positive effect on the financial performance of energy companies listed on the Indonesia Stock Exchange in 2020-2022.
2. Operational spending has a positive effect on the financial performance of energy companies listed on the Indonesia Stock Exchange in 2020-2022.
3. Firm Size is unable to moderate Capital Expenditure on financial performance in energy companies listed on the Indonesia Stock Exchange in 2020-2022.
4. Firm Size is able to moderate Operating Expenditure on financial performance in energy companies listed on the Indonesia Stock Exchange in 2020-2022.

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