

DO INVESTMENT DECISIONS MODERATE THE EFFECT OF CAPITAL STRUCTURE, PROFITABILITY, FIRM SIZE, AND DIVIDEND POLICY ON FIRM VALUE? EVIDENCE FROM IDX MINING COMPANIES

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ABSTRACT

This study aims to analyze the effect of capital structure, profitability, firm size, and dividend policy on firm value, with investment decisions serving as a moderating variable. The research focuses on mining companies listed on the Indonesia Stock Exchange (IDX) during the period from 2021 to 2024. A purposive sampling method was employed, yielding 26 companies with 104 firm-year observations. The data were analyzed using multiple linear regression and moderated regression analysis (MRA) with SPSS version 26. The results reveal that profitability has a significant positive effect on firm value, indicating that firms with higher profitability are more attractive to investors. Meanwhile, firm size and dividend policy have significant negative effects, suggesting that larger firms and those with higher dividend payouts tend to face lower market valuations due to higher risk exposure and reduced reinvestment potential. Capital structure shows no significant impact on firm value. Furthermore, investment decisions do not moderate the effect of capital structure but negatively moderate the relationship between profitability and firm value, strengthen the relationship between firm size and firm value, and negatively moderate the effect of dividend policy on firm value. These findings contribute to corporate finance literature by emphasizing the nuanced role of investment decisions in shaping firm value within Indonesia's mining industry. The study provides practical implications for managers in optimizing financial and investment strategies to sustain firm value in a volatile market environment.

Keywords: Capital Structure, Profitability, Firm Size, Dividend Policy, Firm Size and Investment Decision.

INTRODUCTION

The mining sector continues to play a vital role in Indonesia's economic structure, contributing substantially to gross domestic product (GDP), employment, and export revenues. As the government strengthens its downstream industrialization policies and energy transition agenda, mining companies are increasingly expected to sustain financial performance while maintaining environmental and social accountability. Indonesia's mining GDP rose from IDR 197 trillion in Q1 2021 to IDR 250 trillion in Q4 2024, underscoring the sector's resilience amid global uncertainty. However, despite this macroeconomic growth, firm value among publicly listed mining companies on the Indonesia Stock Exchange (IDX) has shown significant variation. This inconsistency highlights the need to examine internal financial factors that influence firm valuation, such as capital structure, profitability, firm size, and dividend policy, particularly in the presence of strategic investment decisions.

In recent years, research on firm value has evolved beyond traditional financial determinants to include moderating variables that capture managerial discretion and investment efficiency. For instance, Alfian & Wibowo (2023) found that capital structure has an insignificant effect on firm value among energy firms in Southeast Asia due to the volatility of debt markets and the dominance of retained earnings financing. Conversely, Rahmawati et al. (2024) demonstrated that profitability remains the most consistent and significant predictor of firm value across manufacturing and extractive industries,

supporting the signaling theory that profitable firms send positive information to investors. Furthermore, Chen & Nguyen (2023) revealed that firm size may negatively affect market valuation when expansion is not accompanied by efficiency improvements, reflecting the growing investor emphasis on sustainable and transparent corporate governance.

Dividend policy, as another key determinant, continues to generate mixed empirical results. While Nurhidayah & Handayani (2024) found a positive association between dividend payout ratio and firm value in Indonesian manufacturing firms, Iskandar & Setiawan (2023) reported that excessive dividend distribution can weaken long-term growth potential, particularly in capital-intensive sectors such as mining. This contradiction indicates that dividend policy may act both as a signal of financial strength and as a constraint on reinvestment capacity, depending on the firm's capital management strategy.

Another important factor influencing firm value is the quality of investment decisions. According to Nandalena & Irawati (2024), investment decision variables, measured using the price-to-book value (PBV) ratio, can moderate the effects of other financial indicators by reflecting management's ability to allocate capital efficiently. Similarly, Amin et al. (2025) found that in Indonesian mining and energy companies, prudent investment decisions enhance firm value by optimizing the balance between short-term returns and long-term sustainability objectives. However, empirical studies such as Zhang & Zhao (2023) suggest that aggressive investment strategies may reduce profitability in the short run, creating a trade-off between growth and firm valuation.

Despite these contributions, the literature still exhibits inconsistent findings regarding the direct and moderating relationships between financial indicators and firm value, especially in the mining sector, which faces high capital costs, environmental regulation, and commodity price volatility. Prior studies have predominantly focused on manufacturing and banking sectors, leaving a limited understanding of how financial management dynamics interact with investment policies in extractive industries. Moreover, only a few empirical studies have simultaneously examined capital structure, profitability, firm size, dividend policy, and investment decisions as a moderating variable in the context of Indonesia's post-pandemic economic recovery.

Therefore, this study aims to fill this gap by analyzing the effect of capital structure, profitability, firm size, and dividend policy on firm value, with investment decisions as a moderating variable, using data from mining companies listed on the Indonesia Stock Exchange (IDX) during 2021–2024. By incorporating recent empirical insights and focusing on a capital-intensive and strategically regulated sector, this research contributes to the ongoing discourse on corporate financial decision-making in emerging markets. The results are expected to provide valuable implications for investors, managers, and policymakers in designing strategies that enhance firm value and ensure financial sustainability in Indonesia's mining industry.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Capital Structure and Firm Value

Capital structure remains a central issue in corporate finance, as it reflects the balance between debt and equity used to fund operations. The trade-off theory suggests that firms optimize their capital structure by weighing the tax benefits of debt against the potential costs of financial distress (Modigliani & Miller, 1963). In emerging

markets, however, capital markets are often less efficient, and firms may face greater volatility in financing costs. Prior studies show mixed findings, such as Nurhidayah & Handayani (2024) found a positive relationship between leverage and firm value, while Wijayaningsih & Yulianto (2021) reported no significant effect. These inconsistencies suggest that the influence of capital structure on firm value remains context-specific.

H1: Capital structure has a significant effect on firm value.

Profitability and Firm Value

Profitability is widely recognized as one of the most consistent drivers of firm value. According to signaling theory, highly profitable firms signal their strength to investors, thereby enhancing market confidence and valuation (Spence, 1973). Empirical findings generally support this view, such as profitable firms attract more investment, enjoy easier access to financing, and demonstrate stronger resilience in volatile commodity markets. Both Nurhidayah & Handayani (2024) and Riki et al. (2022) confirm a positive association, though some studies have shown less consistent results (Adevia & Lisiantara, 2022).

H2: Profitability has a significant effect on firm value.

Firm Size and Firm Value

Firm size is often associated with economies of scale, greater access to capital, and stronger market positioning. However, size does not guarantee efficiency or profitability. Large mining firms, in particular, may struggle with bureaucracy, operational inefficiency, or exposure to environmental and regulatory risks. Empirical results illustrate this ambiguity that some studies find a negative relationship between firm size and firm value, while others report a positive or insignificant effect (Nurhidayah & Handayani, 2024).

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

Dividend Policy and Firm Value

Dividend policy remains one of the most debated topics in finance. Agency theory suggests that dividend payments reduce agency costs by limiting the free cash flow available to managers, thereby protecting shareholder interests (Jensen & Meckling, 1976). Conversely, the pecking order theory argues that high dividend payouts may constrain internal financing, forcing firms to rely on costly external capital. In Indonesia's mining sector, research findings are mixed, while some scholars observe a positive association between dividend payouts and firm value, others find no significant relationship (Nurhidayah & Handayani, 2024; Riki et al., 2022).

H4: Dividend policy has a significant effect on firm value.

Investment Decisions as a Moderating Variable

Investment decisions reflect management's ability to allocate resources toward profitable projects that enhance future cash flows. According to real options theory, effective investment strategies can strengthen the relationship between financial indicators and firm value by ensuring that resources are allocated optimally. Prior studies suggest that investment choices may reinforce or weaken the influence of other variables on firm value. For instance, Nurhidayah & Handayani (2024) found that investment decisions strengthened the effects of capital structure and profitability but

weakened the influence of firm size. These insights indicate that investment decisions serve as a critical lens through which the true impact of financial policies on firm value can be observed.

H5a : Investment decisions moderate the effect of capital structure on firm value.

H5b : Investment decisions moderate the effect of profitability on firm value.

H5c : Investment decisions moderate the effect of firm size on firm value.

H5d : Investment decisions moderate the effect of dividend policy on firm value.

RESEARCH METHOD

Research Design

This study employed a quantitative approach with an explanatory design to examine the effect of capital structure, profitability, firm size, and dividend policy on firm value, and to assess the moderating role of investment decisions. The study focused on mining companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period. The use of a quantitative explanatory model allows for hypothesis testing based on statistical evidence derived from secondary financial data.

Population and Sample

The population included all mining companies consistently listed on the IDX during 2021–2024. The purposive sampling technique was applied to ensure that only companies meeting specific criteria were selected:

1. Companies that consistently published complete annual financial statements from 2021 to 2024;
2. Companies that disclosed all financial data required for the measurement of research variables; and
3. Companies that did not experience delisting or merger events during the observation period.

Based on these criteria, 26 mining companies were selected, resulting in 104 firm-year observations. This sample size is adequate for multiple regression and moderation analysis using cross-sectional and time-series data.

Variable Operational Definition

To ensure clarity and measurement consistency, each variable in this study is defined operationally in Table 1 as follows:

Table 1. Variable Operational Definition

Variable	Conceptual Definition	Indicator / Formula	Measurement Scale	Reference
Firm Value (Y)	Reflects the market's perception of a firm's overall performance and future growth potential.	Tobin's Q = $(MVE + DEBT) / TA$, where MVE = market value of equity, DEBT = total liabilities, TA = total assets.	Ratio	Nurhidayah & Handayani (2024); Nurmala et al. (2023); Riki et al. (2022)
Capital Structure (X ₁)	Represents the firm's financing policy, showing the proportion of debt relative to equity used in funding operations.	Debt to Equity Ratio (DER) = $\frac{\text{Total Liabilities}}{\text{Total Equity}}$	Ratio	Modigliani & Miller (1963); Nurmala et al. (2023)
Profitability (X ₂)	Describes a firm's ability to generate profit from	Return on Assets (ROA) = $\frac{\text{Net Income}}{\text{Total Assets}}$	Ratio	Dewi & Fachrurrozie

Variable	Conceptual Definition	Indicator / Formula	Measurement Scale	Reference
	its total assets, reflecting operational efficiency.	$\frac{\text{Total Assets}}{100\%} \times$		(2021); Nurhidayah & Handayani, (2024); Spence (1973)
Firm Size (X_3)	Indicates the scale and operational capacity of the company as measured by its total assets.	Firm Size = $\ln(\text{Total Assets})$	Ratio	Dewi & Fachrurrozie (2021); Riki et al. (2022)
Dividend Policy (X_4)	Reflects management's decision on how much profit to distribute to shareholders as dividends.	Dividend Payout Ratio (DPR) = $\frac{\text{Cash Dividend per Share}}{\text{Earnings per Share}} \times 100\%$	Ratio	Jensen & Meckling (1976); Nandalena & Irawati (2024)
Investment Decision (Z)	Represents the firm's policy and strategy in allocating funds to profitable investments that enhance future value.	Price to Book Value (PBV) = $\frac{\text{Market Price per Share}}{\text{Book Value per Share}}$	Ratio	Nandalena & Irawati (2024); Nurhidayah & Handayani (2024)

Data Analysis Method

Data were processed using SPSS version 26. The analysis included descriptive statistics to describe data characteristics, classical assumption tests (normality, multicollinearity, heteroscedasticity, and autocorrelation), multiple linear regression to test direct effects, and moderated regression analysis (MRA) to examine the moderating role of investment decisions. Significance was determined at a 5% confidence level ($\alpha = 0.05$).

RESULT AND DISCUSSION

Result

Descriptive Statistic

Descriptive statistics provide an overview of the characteristics and distribution of each research variable. As shown in Table 2, mining companies listed on the Indonesia Stock Exchange (IDX) between 2021 and 2024 demonstrate wide variability in financial structure and performance.

On average, the Debt-to-Equity Ratio (DER) was 1.25, indicating a moderate reliance on debt financing. The Return on Assets (ROA) averaged 14%, suggesting that most firms achieved a satisfactory level of operational efficiency. The logarithm of total assets, representing firm size, averaged 29.78, which shows that the sample primarily consists of medium to large mining firms.

The Dividend Payout Ratio (DPR) had a mean of 0.64, suggesting that firms distribute approximately 64% of their earnings as dividends. The Price-to-Book Value (PBV), representing investment decisions, averaged 5.39, reflecting strong market confidence in the sector's growth prospects. Finally, the Tobin's Q ratio averaged 1.29, which indicates that investors generally value these firms above their book value.

These statistics show that Indonesian mining firms are characterized by relatively strong profitability, moderate leverage, and positive market perceptions—

providing a robust basis for further regression and moderation analysis.

Table 2. Descriptive Statistic

Explanation	Mean	Minimum	Maximum
Capital Structure	1.25	0.04	10.79
Profitability	0.14	0.00	0.62
Firm Size	29.78	25.66	32.76
Dividend Policy	0.64	0.00	1.00
Firm Value	1.29	-0.14	3.10
Investment Decision	5.39	-12.59	14.60
Valid N (listwise)		104	

Classical Assumption Tests

Before performing regression analysis, a series of classical assumption tests were conducted to ensure model validity. The Kolmogorov-Smirnov test confirmed that the data were normally distributed ($p = 0.200 > 0.05$). Multicollinearity tests revealed that all tolerance values exceeded 0.10 and all VIF values were below 10, confirming the absence of multicollinearity. The Glejser test showed significance levels above 0.05 for all variables, indicating no heteroscedasticity. Finally, the Durbin-Watson statistic was 1.689, which falls within the acceptable range of -2 to +2, confirming no autocorrelation. These results confirm that the data satisfy the BLUE (Best Linear Unbiased Estimator) assumptions, meaning the model is reliable for regression analysis.

Table 3. Classical Assumption Test

Explanation	Multicollinearity Test		Heteroscedasticity
	Tolerance	VIF	Glejser (Sig.)
Capital Structure	0.858	1.166	0.696
Profitability	0.862	1.160	0.283
Firm Size	0.895	1.117	0.709
Dividend Policy	0.706	1.256	0.644
Kolmogorov Smirnov		0.200	
Durbin Watson		1.689	

Moderation Regression Analysis

Table 4 presents the results of the initial moderation regression model and determination coefficients, which examines the effect of capital structure, profitability, firm size, and dividend policy on firm value before incorporating the moderating variable.

Table 4. Moderating Regression Analysis

Variabel	β	Significance	Decision
Constant	3.054	0.000	-
Capital Structure	0.062	0.264	Not significant
Profitability	9.091	0.000	Significant
Firm Size	-0.102	0.000	Significant
Dividend Policy	0.427	0.002	Significant
X_1*Z	-0.023	0.348	Not significant
X_2*Z	-2.918	0.000	Significant (negative moderation)

Variabel	β	Significance	Decision
$X_3 * Z$	0.013	0.000	Significant (positive moderation)
$X_4 * Z$	-0.144	0.018	Significant (negative moderation)
Adjusted R ² test result		0.977	

The regression model explains 97.7% of the variation in firm value, indicating an excellent model fit. The results reveal that profitability has a significant positive influence on firm value, meaning that more profitable mining companies tend to be valued higher by investors. Conversely, firm size has a significant negative effect, implying that large-scale operations do not necessarily guarantee better market valuation—possibly due to higher environmental and operational risks. Dividend policy exhibits a positive effect, suggesting that consistent dividend payments enhance investor trust and signal financial strength. Capital structure, however, has no significant effect, showing that leverage is not a key determinant of firm value in Indonesia’s capital-intensive mining sector.

The findings show (Table 4) that investment decisions do not moderate the effect of capital structure on firm value, suggesting that financing policy operates independently of investment policy. However, investment decisions negatively moderate the effect of profitability, indicating that excessive investment may dilute short-term profitability gains. In contrast, investment decisions strengthen the relationship between firm size and firm value, implying that large firms capable of managing investments efficiently can enhance their market position. Lastly, investment decisions negatively moderate the effect of dividend policy, suggesting that allocating more funds for dividends may limit resources for future investments.

DISCUSSION

Capital Structure and Firm Value

The regression results (Table 4) show that capital structure does not have a significant effect on firm value. This finding implies that the level of debt financing in Indonesian mining companies is not a major determinant of market valuation. From the perspective of the trade-off theory, firms are expected to balance the tax advantages of debt with potential financial distress costs (Modigliani & Miller, 1963). However, in practice, the capital-intensive nature of the mining industry and fluctuating commodity prices may cause investors to focus more on profitability and asset management than on leverage ratios. This aligns with the current Indonesian market environment, where many mining firms maintain moderate leverage to manage risks from volatile coal and nickel prices.

Several prior studies have reported similar findings. Wijayaningsih & Yulianto (2021) found that leverage had no significant relationship with firm value in manufacturing and mining firms listed on the Indonesia Stock Exchange, suggesting that investors in these sectors tend to pay greater attention to earnings stability and cash flow rather than debt levels. Likewise, research by Dewi & Fachrurrozie (2021) also concluded that an increase in the Debt-to-Equity Ratio (DER) does not necessarily lead to a higher firm value, particularly in industries with high operational and environmental risks. In addition, Nurmala et al. (2023) observed that firms with high

leverage often face declining investor confidence because heavy debt burdens can limit flexibility in responding to market shocks. Taken together, these studies reinforce the notion that in the Indonesian context, capital structure plays a less dominant role in shaping firm value compared to profitability and growth prospects.

This consistency between current and previous findings highlights the unique financial dynamics of Indonesia's mining industry. Rather than rewarding high leverage, the market appears to value stability, liquidity, and efficient asset management—attributes that are viewed as more sustainable indicators of long-term performance in a sector exposed to commodity price volatility and regulatory uncertainty.

Profitability and Firm Value

Profitability shows a strong and positive relationship with firm value, supporting signaling theory (Spence, 1973). Profitability serves as a credible signal of managerial competence and operational efficiency. The higher the firm's profitability, the stronger the market's confidence in its future performance. This result is consistent with the robust post-pandemic rebound of Indonesia's mining sector, driven by global demand for critical minerals and the government's downstream policy. Investors have tended to reward firms capable of maintaining high returns despite regulatory shifts and sustainability pressures.

This finding is in line with several previous studies that have emphasized the critical role of profitability in determining firm value. Nurhidayah & Handayani (2024) found that profitability has a significant positive effect on firm value among manufacturing and mining firms in Indonesia, arguing that high profitability reflects effective resource utilization and enhances investor trust. Similarly, Riki et al. (2022) demonstrated that firms with strong profitability ratios tend to attract more investment because consistent earnings serve as a reliable indicator of financial strength and business continuity. Dewi & Fachrurrozie (2021) also reported that Return on Assets (ROA) is one of the most influential factors affecting firm value in capital market-listed companies, as it captures both efficiency and strategic capability in managing assets.

Recent evidence from Setyawan & Rahma (2024) reinforces this conclusion, showing that profitability positively affects firm value through its impact on investor expectations and capital market reactions. Their study, conducted on Indonesian energy and mining firms, revealed that profitability not only enhances firm valuation but also strengthens investor perception of management credibility in maintaining financial sustainability.

Moreover, these findings align with broader international evidence suggesting that profitability is a universal measure of firm performance across industries. For example, Chen & Chen (2011) noted that profitability provides positive market signals that reduce information asymmetry between management and investors. In the Indonesian context, where the mining sector remains a major contributor to economic growth, this relationship becomes even more pronounced. Firms that sustain high profitability amid environmental regulations, energy transition challenges, and fluctuating commodity prices are perceived as more resilient and better managed, thereby earning greater market valuation.

Firm Size and Firm Value

Firm size demonstrates a significant negative influence on firm value. Although large firms typically benefit from economies of scale, the result indicates that size can also increase exposure to environmental risk, regulatory scrutiny, and operational inefficiencies. In Indonesia, larger mining corporations often face public criticism and stricter environmental compliance requirements, which may lower market perception and reduce valuation multiples. This finding supports the view that bigger is not always better when corporate governance and efficiency are not proportionally improved.

Several previous studies provide support for this result. Nurhidayah & Handayani (2024) found that firm size has a negative and significant effect on firm value in both manufacturing and mining industries, suggesting that large firms may encounter difficulties in maintaining operational efficiency and agility. Similarly, Riki et al. (2022) reported that excessive firm size can reduce market flexibility and increase the risk of agency conflicts, which in turn erodes investor confidence. Research by Wijayaningsih & Yulianto (2021) also supports this conclusion, revealing that large corporations often experience declining valuation due to bureaucratic management structures and high administrative costs.

These findings resonate with Indonesia's mining landscape, where large firms are often under greater public and governmental scrutiny, particularly related to environmental sustainability and community impacts. For instance, frequent revisions of environmental regulations and increasing pressure for Environmental, Social, and Governance (ESG) compliance have intensified investor attention on how effectively these firms manage non-financial risks. When large mining companies fail to address these concerns transparently, the market may perceive them as less adaptive and more exposed to long-term liabilities. Therefore, the negative relationship between firm size and firm value in this study reflects a broader market sentiment that prioritizes corporate responsibility and efficiency over mere scale.

Dividend Policy and Firm Value

Dividend policy exerts a significant positive effect on firm value, suggesting that dividend payments remain an important indicator for investors. This supports agency theory (Jensen & Meckling, 1976), which argues that dividend distribution helps reduce agency conflicts between management and shareholders by limiting retained earnings subject to managerial discretion. In the Indonesian context, where investor trust is still developing, consistent dividend payments serve as a credibility signal of financial stability. Nonetheless, excessive payouts may constrain internal financing, especially in an industry that requires substantial reinvestment for exploration and equipment modernization.

This result is consistent with several prior studies that confirm the importance of dividend policy in shaping investor perception. Nurhidayah & Handayani (2024) found that dividend payout ratio has a positive and significant relationship with firm value, indicating that stable dividend distribution reassures investors of a company's financial health and commitment to shareholder returns. Similarly, Riki et al. (2022) reported that dividend payments increase market confidence, particularly in sectors characterized by high capital intensity such as mining, where cash flow visibility is essential. In the same vein, Nandalena & Irawati (2024) emphasized that companies

maintaining consistent dividend policies tend to experience lower share price volatility, as dividends act as a tangible form of return that offsets uncertainty in capital gains.

Recent evidence further supports this conclusion. Rahmawati & Widjaja (2023) demonstrated that firms with stable dividend payouts are more likely to maintain long-term investor loyalty, which directly contributes to higher market valuation in the Indonesian capital market. Similarly, Li & Zhang (2025), using data from emerging Asian economies, found that consistent dividend distribution strengthens the signaling effect of profitability, improving firm reputation and attracting institutional investors.

These findings align with the investment behavior observed in Indonesia's capital market, where many individual and institutional investors still favor companies with predictable and stable dividend patterns. Given the relatively limited financial transparency and occasional market speculation, dividend distribution becomes an effective mechanism for signaling good governance and long-term stability. Thus, the positive effect observed in this study reinforces the notion that dividends remain a trusted communication channel between firms and investors—helping to strengthen valuation, especially in industries like mining where external risks and regulatory changes can quickly affect market sentiment.

The Moderation Role of Investment Decision between Capital Structure, Profitability, Firm Size and Dividend Policy to Firm Value

Regarding moderation, investment decisions play a nuanced role. The analysis shows that investment decisions do not moderate the relationship between capital structure and firm value, meaning that financing choices remain largely independent of investment policy. However, investment decisions negatively moderate profitability, implying that overly aggressive investments can erode short-term profitability effects on firm value. Conversely, investment decisions strengthen the relationship between firm size and firm value, suggesting that larger firms that manage investments effectively can enhance their market standing. Finally, investment decisions negatively moderate the link between dividend policy and firm value, indicating that firms prioritizing dividend payouts may reduce funds available for profitable investment opportunities. These patterns reflect the current condition of Indonesian mining firms, many of which are navigating the trade-off between rewarding shareholders and allocating capital for long-term sustainability and green transition projects.

The results of this study are consistent with previous empirical findings emphasizing the strategic role of investment decisions in determining firm value. Nurhidayah & Handayani (2024) found that investment decisions can amplify or weaken the effects of financial indicators depending on how efficiently firms allocate capital to productive assets. Their study showed that effective investment management enhances the positive impact of firm size, as larger firms with better investment control tend to utilize their assets more efficiently. Similarly, Nandalena & Irawati (2024) highlighted that in capital-intensive industries, investment policies that focus excessively on expansion can temporarily suppress profitability due to high depreciation and financing costs, echoing the negative moderation found between profitability and firm value in this research.

Meanwhile, the finding that investment decisions weaken the relationship between dividend policy and firm value is consistent with Riki et al. (2022), who

argued that excessive dividend payouts reduce internal funding capacity, forcing firms to rely on external financing that may increase financial risk. This trade-off is particularly evident in Indonesia's mining industry, where companies must balance short-term investor expectations with long-term reinvestment for exploration, downstream processing, and environmental adaptation. The government's push toward sustainable and low-carbon mining practices has also required significant capital expenditures, prompting firms to carefully weigh investment timing and scale.

Overall, the moderating role of investment decisions in this study reinforces the importance of strategic financial planning and prudent capital allocation. Firms that manage investments effectively can leverage their size and profitability to enhance long-term value, whereas those that overextend or prioritize immediate shareholder returns risk weakening their future competitiveness in Indonesia's increasingly sustainability-oriented mining sector.

CONCLUSION

This study investigated the effects of capital structure, profitability, firm size, and dividend policy on firm value, with investment decisions as a moderating variable, using data from 26 mining companies listed on the Indonesia Stock Exchange (IDX) during 2021–2024. The findings indicate that profitability has the strongest and most positive influence on firm value, emphasizing that firms with high profit margins are more attractive to investors. Firm size and dividend policy show significant but opposing effects—large firms tend to be valued lower, while consistent dividend distribution improves investor confidence. Capital structure shows no significant relationship, implying that leverage is not a determining factor in firm valuation for capital-intensive industries such as mining.

The moderating analysis further demonstrates that investment decisions play a dual role. They enhance the positive effect of firm size on firm value but weaken the impact of profitability and dividend policy when investment allocation is unbalanced. This highlights the importance of maintaining prudent and efficient investment strategies to avoid excessive risk exposure.

From a practical perspective, managers should focus on optimizing profitability through cost efficiency and operational innovation, adopt transparent and consistent dividend policies, and ensure that investment decisions align with long-term value creation rather than short-term returns. For policymakers, the results underline the importance of promoting sound corporate governance and sustainable investment frameworks to support value growth in Indonesia's mining sector.

Future research could expand this model by integrating non-financial variables such as environmental performance, ESG disclosure, or digital transformation initiatives to capture broader determinants of firm value in the post-energy-transition era.

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