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The Influence of Investment Decisions and Financing Decisions on Firm Value with Financial Performance as A Mediating Variable (A Study on Coal Mining Sub-Sector Companies in the Indonesian Capital Market)

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Abstract

This research investigates the complex relationship between managerial decisions and firm value within the Indonesian coal mining sub-sector, motivated by the inconsistent alignment of firm value with operational performance and commodity price fluctuations. The study aims to analyze how investment decisions, financing decisions, and financial performance influence firm value. Using a quantitative approach and path analysis, the study collected 75 observations from 15 coal companies listed on the Indonesia Stock Exchange from 2020–2024. The findings reveal that investment decisions have no significant effect on firm value, but they do have a significant positive impact on financial performance. Conversely, financing decisions have a significant positive effect on firm value, while negatively affecting financial performance. Financial performance, in turn, has a significant positive effect on firm value and acts as a significant mediator between investment decisions and firm value. These results are consistent with Signaling Theory, Pecking Order Theory, and Trade-off Theory. The study's implications are crucial for both financial managers and investors, emphasizing that a combination of strategic investment and balanced funding, along with strong financial performance, is essential for enhancing firm value.

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1 Introduction

In an era defined by rapid industrialization and escalating global competition, firms are compelled to consistently innovate and enhance their competitive advantages. The mining sector, a substantial contributor to the Indonesian economy, exemplifies this dynamic. Characterized as a capital-intensive industry, it is inherently reliant on natural resources and highly susceptible to fluctuations in global commodity prices and evolving government regulations. Within this sector, the coal subsector holds a central position, playing a critical role in fulfilling domestic energy requirements. Data indicates that approximately 67% of Indonesia's power generation facilities remain dependent on coal. While global trends are shifting towards sustainable and renewable energy sources, Indonesia continues to exhibit a significant reliance on fossil fuels and has not yet achieved a full transition to more environmentally friendly alternatives (Sinaga, 2024). This dependence, combined with recent increases in global commodity prices, driven by post-pandemic demand and geopolitical energy crises, has resulted in a notable surge in national coal production and exports.

Between 2020 and 2024, Indonesia's national benchmark coal price (HBA) and its coal production and exports experienced a notable increase, according to reports from the Ministry of Energy and Mineral Resources. This upward trend is driven by sustained high domestic and international demand (APBI, 2024) and reflects the dynamic nature of both global energy markets and national policies. This increase in production and price has directly impacted the value of mining companies, which is a crucial indicator of a firm's financial health. A high firm value builds stakeholder confidence and attracts investment, ultimately driving up share prices. Conversely, a low value can deter investors and signal a decline (Musa & Yahaya, 2023). Investors frequently use the Price to Book Value (PBV) ratio to assess a company's value by comparing its market price to its book value to determine if the stock is overvalued or undervalued (Karina Yuriska & Lukman, 2020).

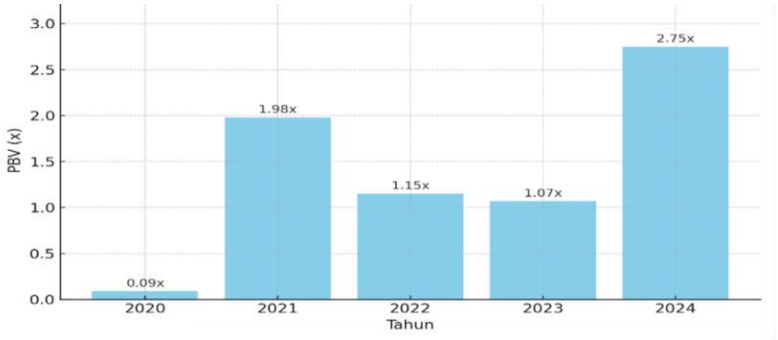

Figure 1. PBV Data of the IDX Coal Subsector 2020–2024

Based on Figure 1, firm value, as measured by the Price to Book Value (PBV), is not constant and can fluctuate drastically due to its dependence on investors' expected future cash flows (Utami, 2021). Therefore, managers must be capable of making sound strategic decisions to enhance the company's quality and value.

As explained by Spence's (1973) Signaling Theory, firms transmit information, or "signals," to investors to mitigate information asymmetry. These signals can indicate that management is committed to meeting investor expectations or that the firm's performance surpasses that of its competitors. According to Ardina & Isnalita (2018), high-quality firms tend to signal their competitive advantages, whereas lower-quality firms typically only disclose mandatory information. By voluntarily releasing private information, companies can send positive signals about strong performance, build a solid reputation, and attract potential investors (Kurnia et al., 2020). A key positive signal is a firm's investment decisions. The allocation of funds for investments demonstrates management's optimism regarding future business growth (Hariyanur et al., 2022). This signal can boost investor confidence, ultimately contributing to an increase in share prices and a rise in firm value.

Investment decisions are a crucial factor influencing a firm's value, beginning with the determination of the assets required for its operations. A significant body of research supports this view, finding that investment decisions have a significant and positive effect on firm value (Amelia et al., 2024; Handayani & Kurnianingsih, 2021; Sartini et al., 2014). This positive relationship is attributed to effective management of investments, which enhances investor confidence in a company's prospects, leading to expectations of strong profitability and returns. However, these findings are contradicted by other studies, which argue that investment decisions do not have a significant effect on

firm value (Hartika et al., 2024; Bon & Hartoko, 2022; Hasanuddin, 2021). This presents a clear gap in the existing literature regarding the precise relationship between investment decisions and firm value.

Another critical factor influencing firm value is financing decisions, which involve selecting the most advantageous sources to fund investments. Firms can secure funding internally through retained earnings or externally via debt and equity. These decisions are often directly linked to capital structure policy, where financial management must analyze and choose the most efficient and suitable funding options for investments and operations. The goal is to optimize a firm's value and boost its stock price. A number of studies support this positive relationship, finding that financing decisions have a significant positive effect on firm value (Adhitya et al, 2022; Sherine et al., 2022). However, conflicting research indicates that financing decisions have no significant effect on firm value (Hartika et al., 2024), highlighting a key area of debate in the literature.

Findings indicating that investment and financing decisions have no significant effect on firm value suggest the need to consider other variables with a more relevant relationship, such as financial performance. Deska (2022) defines financial performance as a measure of a firm's operational success, which can be evaluated through the analysis of financial statements and indicators. This is supported by research from Ependi et al. (2017) and Ramdani (2021), who found a positive relationship between financial performance and firm value. According to Sofia & Farida (2017), corporate investment decisions are typically long-term and require careful consideration as they are directly linked to a firm's operations and financial performance. A number of studies support these findings, asserting that investment decisions have a positive and significant effect on financial performance (Khafa, 2015).

Maintaining the confidence of investors and other external parties requires firms to present their best financial performance through accurate and timely financial reports. A critical element reflected in these reports is the financing decision, the choice between internal funding, such as retained earnings, and external sources, like debt or equity issuance. Research by Anggia & Suteja (2019), Ramdani (2021), and Murniati (2022) supports the finding that financing decisions have a positive and significant effect on financial performance. These results suggest that financial performance can be considered a mediating variable, as it is a crucial facilitator for a firm to achieve its goal of maximizing its value (Abbas et al., 2023; Mazzi, 2011).

There is a discrepancy between the improved operational performance of coal companies, as evidenced by increased production and export volumes, and the market's perception of their firm value, as measured by the Price to Book Value (PBV). Despite rising coal prices, PBV values do not consistently follow the same trend, indicating that other factors are at play. This phenomenon makes it relevant to analyze how investment decisions, financing decisions, and financial performance might mediate the relationship with firm value. It also underscores that investors must consider various managerial aspects beyond just commodity price trends before making investment decisions.

Signalling Theory

Ross's (1977) signaling theory explains how managers use financial decisions, like investment and financing choices, to communicate with investors and reduce information asymmetry. Because managers have superior internal knowledge, their actions, such as making sound investments or increasing debt, are interpreted as positive signals of future growth and performance. Conversely, some actions, like issuing new stock, can be seen as a negative signal (Connelly et al., 2011; Hartini & Pawestri, 2006).

A company's ability to meet its financial obligations and maintain strong operational performance also serves as a positive signal, reflected in rising assets and profits (Mariani & Suryani, 2018; Muslim & Ahmad, 2022). These consistent positive signals build investor confidence and enhance the firm's reputation, which is crucial for increasing its value (Widnyana & Purbawangsa, 2024). Ultimately, signaling theory provides a framework for understanding how these managerial decisions and financial actions shape market perception and influence firm value (Alghifari et al., 2022; Umdiana et al., 2021).

Capital Structure Theory

Capital structure, defined as the combination of debt and equity used to finance a firm's operations, is a crucial component that must be optimized to enhance firm value (Brigham, 2019). An optimal capital structure enables management to reduce the cost of capital, improve financial efficiency, and potentially increase stock prices (Putri & Willim, 2024). Determining the appropriate proportion of debt, preferred stock, and equity is a critical decision in financial management due to its direct impact on firm value (Sartono & Ratnawati, 2020). Capital structure theories

are not universal, as each firm's conditions differ, and different theories emphasize various factors such as agency costs, taxes, and information asymmetry (Umdiana et al., 2021).

Modigliani & Miller's Theory II: The Impact of Corporate Taxes

Modigliani and Miller's (MM) 1963 theory, a foundational principle in corporate finance, posits that the existence of corporate taxes makes the use of debt advantageous. This is because interest on debt is tax-deductible, creating a tax shield that increases a firm's cash flow and its overall value. Consequently, the theory concludes that firms should prioritize debt to maximize their value (Brigham & Daves, 2018; Alifani & Nugroho, 2013). However, the weakness of the perfect market assumption in this theory led to the development of the Pecking Order Theory by Myers & Majluf (1984), which suggests that firms choose financing based on a strict hierarchy: internal funds first, followed by debt, and finally equity.

Pecking Order Theory

The pecking order theory of capital structure asserts that firms prioritize their funding sources in a specific order to avoid sending negative signals to the market. First, they use internal funds, specifically reinvested earnings, because this option doesn't create information asymmetry or additional costs. If more capital is needed, they turn to debt, as it is considered less costly and sends a more positive signal than issuing new equity. Finally, they issue new common stock as a last resort because investors may interpret this as a signal that the stock is overvalued (Brigham & Daves, 2018; Myers & Majluf, 1984). While debt is preferred over equity, its use still carries risks, such as the burden of interest payments and the possibility of bankruptcy.

Trade-off Theory

The trade-off theory suggests that firms aim for an optimal capital structure by balancing the benefits and costs of using debt (Brigham, 2019). The main benefit is the tax shield, where debt interest reduces a firm's tax liability and increases its value (Jahanzeb et al., 2013). This is countered by the costs of financial distress, including direct and indirect bankruptcy costs that can erode firm value (Brigham, 2019). The theory states that the optimal structure is found where the marginal benefit of the tax shield equals the marginal cost of financial distress, which in turn enhances financial performance and firm value.

Firm Value

Firm value, which reflects investor perception of a company's success and shareholder welfare, is influenced by various factors, including future performance, governance, and capital structure (Nurhayati et al., 2021). An increase in share price, as an indicator of firm value, can attract investor interest (Ifada et al., 2019). Managers are tasked with enhancing this value through sound policy decisions (Nurhayati et al., 2021). Firm value can be measured using several market indicators, such as Price to Book Value (PBV) or Tobin's Q (Winarto, 2015). In this study, firm value will be measured using PBV. This metric was selected because the mining industry is capital-intensive, making PBV an effective indicator of how the market values a firm's equity relative to its book value. A PBV greater than one indicates that a firm’s market value exceeds its book value, signaling an attractive stock for investors (Muslim & Ahmad, 2022; Jihadi et al., 2021).

Investment Decision

Investment decisions are a crucial and comprehensive evaluation process for a firm's long-term viability (Ngoc et al., 2023; Suteja et al., 2023). These decisions aim to minimize costs, maximize profits, and grow assets to increase owner wealth (Olayinka, 2022; Agung et al., 2021). A firm's asset growth, measured by Total Asset Growth (TAG), signals efficient resource allocation, provides a positive signal to investors, and can increase firm value as reflected by its Price to Book Value (PBV) (Anugrah, 2019; Perwira & Wiksuana, 2018). This study uses TAG as the proxy for investment decisions, given its relevance to capital-intensive sectors like mining. Based on

Signaling Theory, sound investment decisions reflect management's optimism about business growth, sending a positive signal that can boost investor confidence, stock prices, and firm value (Hariyanur et al., 2022; Benlemlih,

2017). Thus, investment is a crucial step for ensuring investor welfare and financial stability (Sherine et al., 2022). Several studies, including those by Amelia et al. (2024), Handayani & Kurnianingsih (2021), and Murniati (2022), have found that investment decisions have a significant and positive effect on firm value.

Furthermore, strategic investment decisions are supported by strong financial performance, which demonstrates a company's ability to manage its resources efficiently. This is supported by research from Islam et al. (2020) and Edori et al. (2024), who found that investment decisions also have a positive effect on financial performance.

H1 : Investment decisions have a positive effect on firm value.

H3 : Investment decisions have a positive effect on financial performance.

Financing Decision

Decisions about capital structure are crucial for funding a company's operations and ultimately affect its value. While Modigliani and Miller's (MM) theory suggests that capital structure is irrelevant in perfect markets, this assumption doesn't hold for capital-intensive sectors like coal mining, where factors like bankruptcy risk and information asymmetry are prevalent. For these firms, an optimal capital structure is a key strategic factor for competitiveness and sustainability. Poor financing decisions can raise the cost of capital and reduce profitability (Wikartika et al., 2018).

Managers are responsible for choosing the most efficient mix of debt and equity to increase firm value (Oktavianna & Pratiwi, 2022). This study will use the Debt-to-Equity Ratio (DER) as a proxy for financing decisions, as it reflects the proportion of external debt to internal equity (Yuliyanti et al., 2024; Sundari et al., 2024). A company's DER indicates its financial risk, and a growing body of research finds that financing decisions have a significant positive effect on firm value (Adhitya et al, 2022; Sherine et al., 2022; Octavianingrum & Aufa, 2023; Brooks & Oikonomou, 2018).

Financing decisions are a critical part of financial management, involving the choice between internal (e.g., retained earnings) and external (e.g., debt, equity) funding sources. According to the Pecking Order Theory, managers prefer debt over equity to avoid negative signals, as debt issuance is often seen as a positive sign of a firm's prospects, while issuing new equity may signal that a stock is overvalued (Myers & Majluf, 1984). Choosing the right capital structure can significantly impact a firm's cost of capital and profitability (Aminah et al., 2024). Numerous studies show that sound financing decisions have a positive and significant effect on a company's financial performance (Anggia & Suteja, 2019; Ramdani, 2021; Murniati, 2022).

H2 : Financing decisions have a positive effect on firm value.

H4 : Financing decisions have a positive effect on financial performance.

Financial Performance

Financial performance is central to a company's success, demonstrating management's efficiency in resource allocation (Abdelraheem, 2024; Hakim & Hwihanus, 2023). Strong performance attracts investors by signaling promising prospects (Ngurah et al., 2020; Widnyana et al., 2020). This study uses Return on Assets (ROA) as a proxy for financial performance. ROA is a highly effective profitability ratio for measuring a firm's ability to generate profit from its total assets (Brigham & Houston, 2014). This choice is particularly relevant for the capital-intensive industry being studied, where asset efficiency is a key metric (Kusuma, 2021; Widnyana et al., 2021). According to several studies (Ramdani et al., 2020; Hasanudin et al., 2020; Adhitya et al., 2022; Ependi et al., 2017), financial performance has a positive and significant effect on firm value. This suggests that profitable companies are more attractive to investors, as strong financial fundamentals are seen as a signal of favorable prospects.

H5 : Financial performance has a significant positive effect on firm value

The Mediating Effect

Investors' confidence in a firm's financial performance can increase demand for its stock and thus its value. This is because financial performance reflects the success of a company's activities (Rafi et al., 2021; Matiin et al., 2018; Kusuma & Mesacahyani, 2023). Several studies confirm that investment decisions positively impact both financial performance and, subsequently, firm value (Mweresa & Muturi, 2018; Islam et al., 2020; Edori et al., 2024; Firmansyah et al., 2023). A number of other studies further support a significant positive relationship between strong financial performance and firm value (Putra et al., 2023; Ngurah et al., 2020; Hasanudin et al., 2020; Adhitya et al., 2022). This shows that maximizing financial performance is a key way to boost a company's value.

Financing decisions involve choosing financing sources, like internal or external funds, to support a firm's investments. The right choices lead to an efficient capital structure, lowering the cost of capital and positively impacting financial performance. These decisions can also act as signals, reflected in financial reports. Several studies confirm a significant positive relationship between financing decisions and financial performance (Anggia & Suteja, 2019; Ramdani, 2021; Murniati, 2022; Ningsih et al., 2015). This strong financial performance, in turn, has a significant positive effect on firm value, as a healthier financial state signals a more valuable company (Choirunnisyah et al., 2022; Septiana, 2018).

H6 : Financial performance positively and significantly mediates the effect of investment decisions on firm value.
H7 : Financial performance positively and significantly mediates the effect of financing decisions on firm value.

2 Materials and Methods

Population and Sample

This study's population consists of coal sub-sector companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2024. The sample was selected using a purposive sampling method, with the primary criteria that companies must have complete annual financial reports and have recorded consecutive positive earnings throughout the period. The selection of companies with positive earnings was intended to ensure financial performance stability, consistent with signal theory, and to support the analysis of the influence of managerial decisions on firm value. Based on these criteria, 15 eligible companies were identified. Multiplied by five years, the total sample used in this study is 75 data points.

Research Methods

In this study, a non-participant observation method was used to collect data, where the researcher acted as an independent observer. The data consists of secondary data from the annual financial reports of companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2024. These data were obtained from the official IDX website and the Indonesian Capital Market Directory (ICMD). The analysis employed two approaches: descriptive analysis to summarize the data in tables without drawing general conclusions, and inferential analysis using path analysis to test the causal relationships between variables. Table 1 shows the measurement of variables in this study.

Table 1
Measurements of Variables

Variable	Measurements
Firm Value (Y)	$Price\ to\ Book\ Value\ (PBV) = \frac{price\ per\ share}{book\ value\ per\ share}$
Investment Decision (X1)	$Total\ Asset\ Growth = \frac{\text{Total Asets t} - \text{Total Asets t} - 1}{\text{Total Asets t} - 1}$
Financing Decision (X2)	$Debt\ Equity\ Ratio\ (DER) = \frac{\text{Total Debt}}{\text{Total Equity}}$
Financial performance (M)	$Return\ On\ Asset\ (ROA) = \frac{\text{net income after tax}}{\text{total asets}}$

The calculations were performed using SPSS software, beginning with hypothesis formulation and path diagrams, followed by classical assumption tests, a model fit test (F-test), and the Sobel test. The equation for the path analysis is as follows:

Equation model 1:
$M = \beta_3 X_1 + \beta_4 X_2 + e_1$

Equation model 2:
$Y = \beta_1 X_1 + \beta_2 X_2 + \beta_5 M + e_2$

Information:
X1 : Investment Decision
X2 : Financing Decision
M : Financial Performance
Y : Firm Value
β1, β2, β3, β4, β5: Regression coefficient
e : error

Research Framework

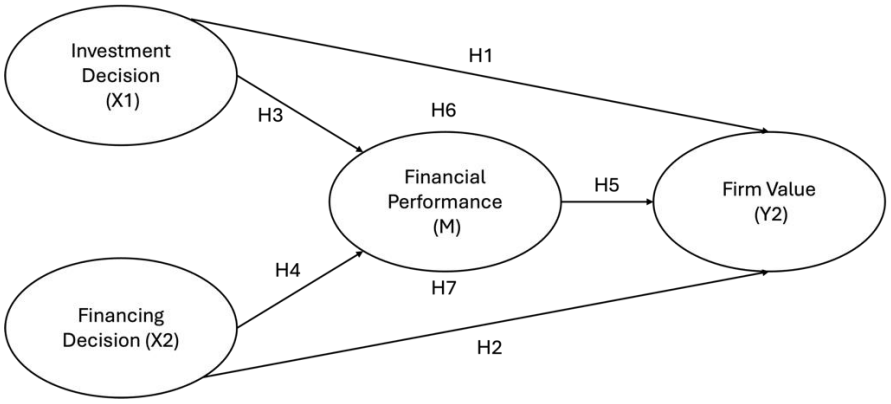

Figure 2. Research Framework

3 Results and Discussions

3.1 Result

This study uses quantitative, secondary data from 15 coal mining companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2024. The research analyzes how investment decisions, financing decisions, and financial performance affect firm value. Using purposive sampling, the study initially collected 75 data points. However, due to outliers, data points that were extremely different from the others, the sample size was reduced. According to Ghozali (2021), outliers can be caused by data entry errors or extreme values in the population. After removing these outliers, the final analysis was conducted on 58 data points using SPSS with classic assumption tests and path analysis.

Descriptive Statistics

Firm value, measured by PBV, had an average of 1.97. However, the data showed significant dispersion, with a wide range from a minimum of 0.37 (Indo Straits Tbk. in 2020) to a maximum of 12.81 (Dwi Guna Laksana Tbk. in 2021). The standard deviation of 2.34 was larger than the average, indicating that the PBV data were highly scattered and not well-distributed.

In contrast, financial performance, measured by ROA, showed better consistency. The average ROA was 0.15, with a much smaller standard deviation of 0.12, which was less than the average. This suggests that the ROA data were more tightly clustered and had a better distribution.

For investment decisions, measured by Total Asset Growth (TAG), the average was 0.295. The data distribution was poor, with a large range from a negative value of -0.33 (Adaro Energy Indonesia Tbk. in 2024) to a high of 1.21 (Trans Power Marine Tbk. in 2020). The standard deviation of 0.295 was equal to the average, further indicating a wide spread.

Similarly, financing decisions, measured by the Debt to Equity Ratio (DER), had an average of 0.92, but the data were highly volatile. The range was extremely wide, from a minimum of 0.097 (Harum Energy Tbk. in 2020) to a

maximum of 9.03 (Dwi Guna Laksana Tbk. in 2020). With a standard deviation of 1.60, which was significantly larger than the average, the DER data showed a very poor distribution. Table 2 shows the descriptive statistics of this study.

Table 2
Descriptive Statistics

Variable	Minimum	Maximum	Mean	Std. Deviation
PBV	0,3718	12,8085	1,969680	2,3440326
ROA	0,0001	0,4713	0,149869	0,1236767
TAG	-0,3304	1,2092	0,154552	0,2950970
DER	0,0965	9,0303	0,918705	1,6012853

Path Analysis Result

Theoretically, a model will produce accurate estimated parameters only if it meets the classic regression assumptions: normality, autocorrelation, multicollinearity, and heteroscedasticity. Table 3 shows the result of the classic regression assumptions test for equation model 1 and equation model 2.

Table 3
Classical Regression Assumptions Result

Model	Normality Test	Autocorrelation Test	Multicollinearity Test		Heteroscedasticity Test
			Tolerance	VIF	
Equation model 1					
TAG	0.07	1.757	0,985	1,015	0,058
DER			0,985	1,015	0,112
Equation model 2					
TAG			0,874	1,144	0,319
DER	0.176	1.752	0,913	1,095	0,456
ROA			0,844	1,184	0,465

The Kolmogorov-Smirnov test confirms that the data is normally distributed, as the significance values (0.070 and 0.176) are both greater than 0.05. This satisfies the normality assumption. The model is also free from multicollinearity. This is confirmed by the fact that no independent variable has a tolerance value below 0.10 or a VIF value greater than 10. Furthermore, the Durbin-Watson (DW) test indicates no autocorrelation. The DW values for both structural models (1.757 and 1.752) fall within the acceptable range of $dU<DW<4-dU$, confirming the absence of autocorrelation. The model is free from heteroscedasticity. This is because the significance values for each model are all greater than 0.05, indicating that the independent variables do not have a significant effect on the absolute residuals of the dependent variables. The result of path analysis for equation model 1 is shown in Table 4 below:

Table 4
Summary of Regression Testing Result for Structural Equation 1

Model	*Unstandardized Coefficients*		*Standardized Coefficients*	t	Sig.
	B	Std. Error	Beta		
(Constant)	0,147	0,260		7,776	0,000
TGA	0,138	0,052	0,330	2,641	0,011
DER	-0,020	0,010	-0,260	-2,085	0,042
R^2: 0,156					
F_{sig} :0,010					
Dependent: ROA					

Source: Data processed

Based on the path analysis results in Table 4, the structural equation for the first model is:

$M= \beta_3X_1+ \beta_4X_2+ e_1$
$M= 0,330\ X_1-0,260\ X_2+ e_1$

This equation shows that the investment decision variable (X1) has a positive coefficient of 0.330, meaning that a one-unit increase in investment decisions leads to a 0.330-unit increase in financial performance (M). Conversely, the financing decision variable (X2) has a negative coefficient of -0.260, indicating that a one-unit increase in financing decisions results in a 0.260-unit decrease in financial performance. The study then used SPSS 25.0 to calculate the effects of these variables, investment decisions, financing decisions, and financial performance on firm value, and the results are presented in Table 5.

Tabel 5
Summary of Regression Testing Result for Structural Equation 2

Model	*Unstandardized Coefficients*		*Standardized Coefficients*	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0,049	0,212		-0,230	0,819
TAG	-0,351	0,431	-0,044	-0,815	0,418
DER	1,402	0,078	0,958	18,038	0,000
ROA	5,238	1,046	0,276	5,007	0,000
R^2: 0,861					
F_{sig} :0,000					
Dependent: PBV					

Source: Data Processed

Based on the path analysis results from Table 5, the structural equation for the second model is:

$Y= \beta_1X_1 + \beta_2X_2+ \beta_5M + e_2$
$Y= -0,044X_1 +0,958X_2 + 0,276M + e_2$

The equation reveals the direct effects of the variables on firm value (Y). The investment decision variable (X1) has a negative coefficient of -0.044, indicating that a one-unit increase in investment decisions leads to a 0.044-unit decrease in firm value. In contrast, the financing decision variable (X2) has a strong positive coefficient of 0.958. This suggests that an increase in financing decisions results in a substantial 0.958-unit increase in firm value. Finally, the financial performance variable (M) has a positive coefficient of 0.276, signifying that a one-unit increase in financial performance is associated with a 0.276-unit increase in firm value. These findings highlight the varying impacts of different strategic decisions on a company's overall value.

Table 5 shows the adjusted R-squared value of 0.861 for the second structural equation indicates that 86.1% of the variation in firm value can be explained by the independent variables: Total Asset Growth (TAG), Debt-to-Equity Ratio (DER), and Return on Assets (ROA). The remaining 13.9% of the variance is attributed to other factors not included in the model. Table 5 also shows the F-test's significance value of 0.010, which is less than the 0.05 alpha

level, confirming two important things. First, it shows that the regression model for the second structural equation is a good fit for the data. Second, it proves that the independent variables (TAG, DER, and ROA) collectively and significantly influence firm value. This means that when considered together, these variables have a meaningful impact on a company's value.

Hypotheses test

Table 6
Summary of Hypothesis Test Result

	Hypothesis	P-value	Criteria	Description
Direct Effect				
H1	Investment Decision-> Firm Value	0,418	0,05	Not Significant
H2	Financing decision -> Firm value	0,000	0,05	Positive Significant
H3	Investment Decision-> Financial Performance	0,011	0,05	Positive Significant
H4	Financing decision-> Financial Performance	0,042	0,05	Positive Significant
H5	Financial Performance -> Firm Value	0,000	0,05	Positive Significant
Indirect Effect				
H6	Investment Decision-> Financial Performance-> Firm value	2,309	1,96	Significant Mediation
H7	Financing decision-> Financial Performance->Firm value	1,826	1,96	No Mediation

The criteria for hypothesis testing are based on the significance level (sig.). If the p-value is below the predetermined alpha level of 0.05, the null hypothesis (H0) is rejected in favor of the alternative hypothesis (Ha). Conversely, if the p-value exceeds 0.05, the null hypothesis is retained, and the alternative hypothesis is not supported.

Based on Table 6, investment decisions have no significant effect on firm value, as the p-value of 0.418 is greater than the 0.05 significance level. This indicates that fluctuations in investment decisions do not measurably impact a company's overall value, leading to the rejection of the initial hypothesis. In contrast, financing decisions have a strong, significant positive effect on firm value. With a p-value of 0.000 and a coefficient of 0.958, the data confirms that an increase in financing decisions directly leads to an increase in firm value, thus supporting the second hypothesis.

Furthermore, the analysis of how these decisions impact financial performance reveals a dual effect. Investment decisions have a significant positive impact on financial performance, as shown by a p-value of 0.011 and a coefficient of 0.330, confirming that higher investment leads to better financial results. This supports the third hypothesis. However, financing decisions have a significant negative effect on financial performance, with a p-value of 0.042 and a negative coefficient of -0.260. This suggests that an increase in financing decisions, such as taking on more debt, correlates with a decline in financial performance, leading to the rejection of the fourth hypothesis.

Finally, the study found a clear and direct link between financial performance and firm value. Financial performance has a significant positive effect on firm value, as evidenced by a p-value of 0.000 and a coefficient of 0.276. This indicates that as a company's financial performance improves, its overall firm value also increases, thereby supporting the fifth and final hypothesis.

Sobel Test

Table 7
Result for Mediation Variable with Sobel Test

Connection	A	B	SE(a)	SE(b)	T sobel
X1-> M -> Y	0.138	5.238	0.052	1.046	2.309
X2 ->M -> Y	0.020	5.238	0.010	1.046	1.826

The Sobel test results reveal that financial performance significantly mediates the relationship between investment decisions and firm value, with a Z-value of 2.309, which is greater than the critical value of 1.96. This means the sixth hypothesis is accepted. Conversely, the Sobel test shows that financial performance does not significantly mediate the relationship between financing decisions and firm value. The Z-value of 1.826 is less than 1.96, leading to the rejection of the seventh hypothesis.

3.2 Discussion

The Effect of Investment Decision on Firm Value

The research found that investment decisions do not have a significant effect on firm value in the Indonesian coal mining sub-sector. This means that increases or decreases in a company's investment have no impact on its market value. The first hypothesis of the study was therefore rejected. This outcome may be due to the nature of the coal mining industry, where asset growth might not always be followed by improved financial performance or short-term growth prospects that would attract investors. Investors in this sector tend to focus on the quality of the investment rather than its size, as well as on external factors like government regulations and environmental risks.

The findings align with signaling theory, which suggests that only relevant and credible information influences a company's value. In this case, investment decisions were not perceived by the market as a strong enough signal to impact firm value. This result is consistent with previous studies by Hartika et al. (2024), Bon & Hartoko (2022), and Hasanuddin (2021), all of which found no significant relationship between investment decisions and firm value.

The Effect of Financing Decision on Firm Value

Research findings indicate that financing decisions have a significant positive impact on firm value within the Indonesian coal mining sub-sector. This means that an increase in debt financing leads to a corresponding rise in firm value, confirming the study's second hypothesis. This outcome suggests that when companies make optimal and prudent financing decisions, it boosts investor confidence. The Debt to Equity Ratio (DER) as a measure of financing decisions implies that a judicious and productive increase in the proportion of debt can drive up a company's value.

This finding aligns with several key financial theories. While the Modigliani and Miller (M&M) theory initially posited that financing decisions don't affect firm value in a perfect market, the inclusion of tax benefits (tax shield) later showed that debt can increase a company's value. Furthermore, this research supports both the trade-off theory, where profitable firms use debt to gain tax advantages and fund efficient investments, and the signaling theory, which suggests that sound financing decisions send a positive signal to investors about a company's growth prospects. This result is consistent with previous studies by researchers such as Sarif & Suprajitno (2021) and Tumiwa et al. (2020), among others.

The Effect of Investment Decision on Financial Performance

This study found that investment decisions have a significant positive impact on financial performance in the Indonesian coal mining sub-sector, leading to the acceptance of the third hypothesis. This suggests that sound investment decisions improve a company's profitability and operational efficiency. The findings support signaling theory, which holds that strong financial performance acts as a signal to stakeholders about a company's health and future prospects. This result is consistent with prior research by Mweresa & Muturi (2018), Islam et al. (2020), and others who have found a significant positive relationship between investment decisions and financial performance.

The Effect of Financing Decision on Financial Performance

Research on Indonesian coal mining companies in this study reveals that financing decisions have a significant negative impact on financial performance, leading to the rejection of the study's fourth hypothesis. This indicates that as financing, particularly debt, increases, financial performance declines. This finding aligns with Pecking Order Theory,

which suggests a hierarchy of financing sources, prioritizing internal funds first, then debt, and finally new equity. The results demonstrate that an over-reliance on debt, as measured by a high Debt to Equity Ratio (DER), creates a significant financial burden through interest and principal payments, ultimately reducing profitability and weakening financial performance. This conclusion is supported by prior studies from researchers like Tahara et al. (2020) and Halim & Suhartono (2021).

The Effect of Financial Performance on Firm Value

This study found that financial performance has a significant positive influence on firm value within Indonesia's coal mining sub-sector, leading to the acceptance of the fifth hypothesis. This suggests that improved financial performance directly enhances a company's value. This relationship aligns with Signaling Theory, which posits that strong financial performance acts as a positive signal to investors regarding a company's health and prospects. Consequently, investors perceive profitable companies as having solid fundamentals, increasing their investment interest, which ultimately boosts firm value. These findings are consistent with prior research by Ramdani (2020), Hasanudin et al. (2020), and other scholars who have also documented a significant positive relationship between financial performance and firm value.

The Mediating Role of Financial Performance on the Effect of Investment Decision on Firm Value

Financial performance significantly mediates the relationship between investment decisions and firm value in the Indonesian coal mining sub-sector. This suggests that investment decisions influence financial performance, which in turn impacts firm value. As a result, the study's sixth hypothesis is accepted.

This finding is consistent with Signaling Theory, which posits that financial performance acts as a crucial signal to stakeholders about a company's health and prospects. Accurate and timely financial information reflects management's effectiveness in resource allocation and profitability, which ultimately enhances firm value. This result is also supported by previous research from scholars such as Rafi et al. (2021) and Matiin et al. (2018), who found a link between investment decisions and financial performance. Similarly, studies by Putra et al. (2023) and others have confirmed that financial performance has a significant effect on firm value.

The Mediating Role of Financing Decision on the Effect of Investment Decision on Firm Value

In this study, financial performance does not significantly mediate the relationship between financing decisions and firm value in Indonesia's coal mining sub-sector. This means that although financing decisions influence financial performance and financial performance is linked to firm value, the latter does not act as a significant mediator in the relationship between financing decisions (measured by DER) and firm value. Consequently, the seventh hypothesis is rejected.

This finding suggests that high debt, as measured by DER, directly burdens a company's financial performance by increasing obligations and lowering asset efficiency. This decline in performance reduces investor appeal and negatively impacts firm value. These results indicate that investors view financing decisions as a direct signal of risk, assessing a company's capital structure without heavily considering short-term performance.

The findings align with Signaling Theory, which posits that investors place greater weight on risk signals from financing decisions than on profitability signals. A high level of debt may elicit a negative response from investors due to potential financial risks, regardless of how efficiently a company manages its assets. This conclusion is consistent with previous research by Laurens (2023) and Ardila et al. (2021), who also found that financial performance does not mediate the influence of financing decisions on firm value.

4 Conclusion

This study, conducted on Indonesian coal mining companies, reveals several key findings regarding the relationships between investment, funding, financial performance, and firm value. The results indicate a complex interplay between these factors, with some relationships proving significant while others do not. The first hypothesis, stating that investment decisions impact firm value, was rejected. This suggests that in this specific sub-sector, investors do not

perceive asset growth as a direct indicator of value, possibly due to the industry's reliance on external factors and the emphasis on the quality rather than the size of investments. Conversely, the second hypothesis, which posits a positive effect of financing decisions on firm value, was accepted. The data show that judicious debt financing can enhance a company's value, which aligns with the principles of the Trade-Off Theory and Signaling Theory, where optimal leverage sends a positive signal to the market.

Regarding their impact on financial performance, the third hypothesis was accepted, confirming that investment decisions have a significant positive effect on financial performance. This demonstrates that strategic investments lead to improved profitability and operational efficiency. However, the fourth hypothesis was rejected, as financing decisions were found to have a significant negative effect on financial performance, indicating that excessive reliance on debt can burden a company with interest payments, hindering its profitability. This finding supports the Pecking Order Theory, which prioritizes internal financing to avoid such financial distress. Furthermore, the fifth hypothesis was accepted, as financial performance was found to have a significant positive effect on firm value. This aligns with Signaling Theory, as strong financial results act as a credible signal of a company's health and future prospects, attracting investors and increasing its market value.

In terms of mediation, the sixth hypothesis was accepted: financial performance significantly mediates the relationship between investment decisions and firm value. This means that the impact of investment on firm value is channelled through improved financial performance. However, the seventh hypothesis was rejected, as financial performance does not mediate the relationship between financing decisions and firm value, suggesting that investors view funding decisions as a direct signal of risk and assess a company's capital structure independently of its short-term profitability.

This research offers both theoretical and practical insights. Theoretically, the study validates and extends key financial theories, Signaling Theory, Pecking Order Theory, and Trade-Off Theory within the context of the Indonesian coal mining sector, providing a valuable reference for future research. Practically, the findings advise companies to prioritize strategic investments and a balanced capital structure to manage risk and enhance value. For investors, the study underscores the importance of focusing on a company's financial performance as a primary indicator of its health and potential, as profitability serves as a reliable signal of a company's true value.

Conflict of interest statement
The authors declared that they have no competing interests.

Statement of authorship
The authors have a responsibility for the conception and design of the study. The authors have approved the final article.

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