



Do Financial Policies and Firm Characteristics Affect Firm Value? Evidence from Indonesian Mining Firms Listed on the Indonesia Stock Exchange (2020–2024)

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ABSTRACT: Firm value reflects market assessments of a company’s financial performance and future prospects, particularly in capital-intensive and volatile industries such as mining. This study examines the effects of dividend policy, investment decisions, leverage, profitability, and firm size on firm value in mining companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Using a quantitative approach, this study employs panel data regression analysis on financial statement data obtained through purposive sampling. Firm value is measured using Tobin’s Q, while the independent variables are proxied by standard financial indicators. The results show that dividend policy, investment decisions, leverage, profitability, and firm size do not have a statistically significant effect on firm value. These findings indicate that investors in the mining sector tend to prioritize growth prospects, overall firm performance, and risk considerations rather than short-term financial policies or firm-specific characteristics. In addition, high dividend payouts may limit internal funds for investment, while investment allocation, leverage utilization, and profitability improvements may not immediately translate into higher market valuation due to perceived risks, liquidity constraints, and industry uncertainty. This study suggests that market valuation in the mining sector is influenced more by broader expectations and external conditions than by individual financial indicators, providing important implications for managers and investors in understanding firm value dynamics.

KEYWORDS: Dividend Policy, Investment Decisions, Firm Size, Firm Value, Leverage, Profitability, Mining Sector.

INTRODUCTION

Firm value has long been recognized as a central objective of corporate financial management, as it reflects the market’s assessment of a firm’s performance, risk profile, and future growth prospects. In capital markets, firm value serves as a comprehensive indicator that integrates both financial fundamentals and investor expectations, thereby guiding investment decisions and capital allocation. Maximizing firm value is therefore considered the ultimate goal of corporate management, as it directly represents shareholders’ wealth and long-term sustainability [1]. In modern financial theory, firm value is not solely determined by current profitability but is also shaped by strategic financial policies, investment decisions, capital structure choices, and firm-specific characteristics that signal future performance to the market [2]. In emerging economies such as Indonesia, firm value plays an even more critical role due to higher market volatility, regulatory uncertainty, and information asymmetry. Investors operating in such markets tend to rely heavily on observable financial indicators and corporate policies to assess firm credibility and long-term viability. Consequently, understanding the determinants of firm value within this context is essential for both corporate managers and investors. Prior studies emphasize that financial decisions related to dividend policy, investment allocation, leverage, and profitability are closely associated with firm value, although empirical findings remain mixed across sectors and periods [3].

The mining sector represents a particularly relevant setting for examining firm value dynamics. Mining companies are characterized by high capital intensity, long investment horizons, exposure to commodity price fluctuations, and strong dependence on government regulation. In Indonesia, the mining sector plays a strategic role in national economic development by contributing significantly to export revenues, employment, and gross domestic product. However, this sector is also subject to substantial uncertainty arising from global commodity cycles, environmental concerns, and frequent regulatory changes. These characteristics make mining firms highly sensitive to both internal financial decisions and external market perceptions, thereby influencing their firm value in complex ways.



During the 2020–2024 period, Indonesian mining companies experienced significant fluctuations in market valuation, reflecting not only changes in commodity prices but also broader macroeconomic conditions and regulatory developments. One notable regulatory issue is the government's policy on export foreign exchange retention (*Devisa Hasil Ekspor/DHE*), which requires natural resource exporters to retain a substantial portion of their foreign exchange earnings domestically. Although intended to strengthen national financial stability, this policy potentially constrains corporate liquidity and cash flow flexibility, thereby affecting firms' investment capacity, dividend distribution, and financial structure. As a result, investors may reassess the valuation of mining firms by incorporating expectations related to regulatory risk and future cash flow constraints, rather than relying solely on conventional financial indicators.

Within corporate finance literature, dividend policy has traditionally been viewed as an important signal of firm performance and future prospects. According to signaling theory, dividend payments convey information about management's confidence in future earnings and cash flow stability [4]. Firms that consistently distribute dividends are often perceived as financially sound, which may enhance investor confidence and firm value. However, alternative perspectives argue that high dividend payouts may reduce internal funds available for investment, particularly in capital-intensive industries such as mining. Empirical evidence regarding the effect of dividend policy on firm value remains inconclusive. Several studies report a significant positive relationship [5], while others find no significant impact, suggesting that investors may prioritize growth opportunities over dividend income, especially in emerging markets [6].

Investment decisions represent another key determinant of firm value, as they reflect management's ability to allocate resources efficiently to projects that generate positive net present value. According to financial theory, optimal investment decisions should increase future cash flows and, consequently, enhance firm value [2]. In practice, however, investment outcomes are subject to uncertainty, long gestation periods, and execution risk. In the mining sector, large-scale investments often require substantial upfront capital and may not yield immediate returns. As a result, investors may discount the expected benefits of investment growth when evaluating firm value, particularly if projects increase operational risk or strain liquidity. Prior empirical studies show mixed results regarding the relationship between investment decisions and firm value, indicating that asset growth does not always translate into higher market valuation [3], [7].

Leverage, or the use of debt financing, also plays a critical role in shaping firm value. Trade-off theory suggests that debt can enhance firm value through tax advantages and by disciplining managerial behavior, thereby reducing agency costs [8]. However, excessive leverage increases financial risk and the probability of financial distress, which may negatively affect firm value. In industries with volatile earnings such as mining, the market may be particularly sensitive to leverage levels. While some empirical studies find that leverage positively influences firm value [3], others report insignificant or even negative effects, indicating that the benefits of debt may be offset by heightened risk perceptions [9]. These inconsistencies highlight the importance of examining leverage effects within specific industry contexts and regulatory environments.

Profitability is widely regarded as one of the most fundamental indicators of firm performance and financial health. Higher profitability is generally expected to enhance firm value, as it signals efficient operations and the ability to generate sustainable earnings [10]. From a signaling perspective, profitable firms are perceived as having stronger growth prospects and lower risk, which should be reflected in higher market valuation. Nevertheless, empirical findings suggest that profitability does not always have a direct or significant effect on firm value. In some cases, increases in profitability may be perceived as temporary or insufficient to influence investor expectations, particularly when profitability improvements are not accompanied by clear growth strategies or favorable external conditions [3], [11].

Firm size is another factor frequently examined in relation to firm value. Larger firms are often perceived as more stable, diversified, and better able to withstand economic shocks. They also tend to have greater access to capital markets and lower information asymmetry, which may enhance investor confidence [1]. However, firm size alone does not guarantee higher valuation. In competitive and regulated sectors, size-related advantages may be offset by inefficiencies, rigid organizational structures, or limited growth opportunities. Empirical evidence regarding the effect of firm size on firm value is therefore mixed, with several studies reporting insignificant relationships [3], [6].

Despite extensive research on the determinants of firm value, several gaps remain. First, many studies focus on manufacturing or service sectors, while empirical evidence from the mining sector, particularly in emerging markets, remains limited. Second, prior findings on the effects of dividend policy, investment decisions, leverage, profitability, and firm size are often inconsistent, suggesting



that contextual factors such as industry characteristics, regulatory environment, and market conditions play an important role. Third, relatively few studies examine these financial variables simultaneously within a single empirical model, especially over recent periods marked by economic uncertainty and regulatory change. This study seeks to address these gaps by examining the effects of dividend policy, investment decisions, leverage, profitability, and firm size on firm value in mining companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Firm value is measured using Tobin's Q, which captures both market valuation and asset replacement cost, providing a comprehensive assessment of firm performance. By focusing on the mining sector and incorporating recent data, this study offers updated empirical evidence on firm value determinants in a strategically important and highly regulated industry.

The findings of this study are expected to contribute to the corporate finance literature by clarifying the role of traditional financial indicators in explaining firm value within the context of Indonesian mining firms. From a practical perspective, the results may provide insights for corporate managers in formulating financial policies that align with investor expectations and market conditions. Additionally, the study offers valuable information for investors in assessing firm value beyond conventional financial metrics, particularly in industries exposed to regulatory uncertainty and market volatility.

METHOD

This study employed a quantitative approach with an explanatory research design to examine the effects of dividend policy, investment decisions, leverage, profitability, and firm size on firm value. The explanatory design was selected to test causal relationships between corporate financial policies and firm value based on established theories in corporate finance and prior empirical studies.

The population of this study consisted of all mining companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. A purposive sampling technique was applied to select firms that met specific criteria relevant to the research objectives. The sampling criteria were as follows: (1) mining companies listed on the IDX during the observation period, (2) companies that published complete annual financial statements denominated in Indonesian rupiah, (3) companies that reported positive net income during the observation period, and (4) companies that distributed dividends to shareholders.

Based on these criteria, a total of 287 firm-year observations were obtained and used in the empirical analysis. These observations represent mining companies that consistently met the sampling requirements over the study period, ensuring data completeness and comparability. The use of purposive sampling allowed this study to focus on firms with reliable financial disclosures and stable operating conditions, thereby enhancing the robustness of the analysis. This study utilized secondary data obtained from publicly available sources. The data consisted of audited annual financial statements and stock market data of mining companies published by the Indonesia Stock Exchange and the official websites of the sampled firms. The financial data included balance sheets and income statements, while market data covered stock prices and dividend distribution information. The use of secondary data ensured objectivity and minimized respondent bias, which is particularly important in financial research.

Firm value, as the dependent variable, was measured using Tobin's Q, which reflects the ratio between the market value of a firm and the replacement cost of its assets. Tobin's Q is widely used in firm value studies because it incorporates both accounting information and market perceptions. Dividend policy was proxied by the Dividend Payout Ratio (DPR), which measures the proportion of earnings distributed as dividends. Investment decisions were measured using the ratio of capital expenditure to total assets, reflecting the firm's investment intensity. Leverage was proxied by the Debt to Equity Ratio (DER), indicating the extent to which a firm finances its operations through debt. Profitability was measured using Return on Assets (ROA), which captures the efficiency of management in generating profits from total assets. Firm size was measured using the natural logarithm of total assets to reduce scale bias and heteroscedasticity.

Data analysis was conducted using panel data regression techniques to accommodate both cross-sectional and time-series variations across firms. Descriptive statistics were first employed to summarize the characteristics of the data. Subsequently, model selection tests—including the Chow test, Hausman test, and Lagrange Multiplier test—were performed to determine the most appropriate estimation model among the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The regression analysis was conducted at a 5 percent significance level using econometric software. Classical assumption tests were also performed to ensure the validity and reliability of the regression results. Through this analytical approach, the study provides empirical evidence on the influence of financial policies and firm characteristics on firm value in the Indonesian mining sector.



FINDINGS AND DISCUSSION

Model Estimation Analysis

This study employs panel data regression analysis to examine the effects of dividend policy, investment decisions, leverage, profitability, and firm size on firm value. To determine the most appropriate estimation model, three model selection tests were conducted, namely the Chow test, the Hausman test, and the Lagrange Multiplier (LM) test, using a significance level of 5 percent.

Chow Test

The Chow test was conducted to determine whether the Common Effect Model (CEM) or the Fixed Effect Model (FEM) was more appropriate. The results of the Chow test are presented in Table 1.

Table 1. Chow Test Results

Effects Test	Statistic	d.f.	Probability
Cross-section F	12.590731	(82, 199)	0.0000
Cross-section Chi-square	523.096129	82	0.0000

Source: Processed data

The results show that the probability value of the cross-section Chi-square statistic is 0.0000, which is lower than the 5 percent significance level. Therefore, the null hypothesis is rejected, indicating that the Fixed Effect Model is more appropriate than the Common Effect Model.

Hausman Test

The Hausman test was conducted to determine whether the Fixed Effect Model or the Random Effect Model (REM) was more suitable. The results are presented in Table 2.

Table 2. Hausman Test Results

Test Summary	Chi-Square Statistic	Chi-Square d.f.	Probability
Cross-section random	2.876379	5	0.7190

Source: Processed data

The probability value of 0.7190 exceeds the 5 percent significance level, indicating that the null hypothesis cannot be rejected. This result suggests that the Random Effect Model is preferred over the Fixed Effect Model.

Lagrange Multiplier Test

The Lagrange Multiplier (Breusch–Pagan) test was conducted to compare the Random Effect Model with the Common Effect Model. The results are shown in Table 3.

Table 3. Lagrange Multiplier Test Results

Test Hypothesis	Cross-section	Time	Both
Breusch–Pagan	256.5499 (0.0000)	1.155084 (0.2825)	257.7050 (0.0000)

Source: Processed data

The Breusch–Pagan statistic for the cross-section effect has a probability value of 0.0000, which is below the 5 percent significance level. This result indicates that the Random Effect Model is more appropriate than the Common Effect Model. Based on the results of the Chow test, Hausman test, and Lagrange Multiplier test, the Random Effect Model (REM) was selected as the most appropriate estimation model for this study.

Panel Data Regression Analysis

Panel data regression analysis was conducted using the Random Effect Model, with firm value as the dependent variable and dividend policy, investment decisions, leverage, profitability, and firm size as independent variables. The regression results are presented in Table 4.



Table 4. Panel Data Regression Results (Random Effect Model)

Variable	Coefficient	Std. Error	t-Statistic	Probability
Constant	-3324.541	3471.800	-0.957584	0.3391
Dividend Policy	-0.020652	0.687265	-0.030049	0.9760
Investment Decisions	-0.004184	0.057509	-0.007275	0.9942
Leverage	0.070500	0.956429	0.073712	0.9413
Profitability	0.064746	4.092498	0.015821	0.9874
Firm Size	131.3620	122.7800	1.069898	0.2856

Source: Processed data

Based on the regression results, the estimated model can be expressed as follows:

$$\text{Firm Value} = -3324.541 - 0.020652DP - 0.004184ID + 0.070500LEV + 0.064746PRO$$

The regression coefficients indicate that dividend policy and investment decisions have negative coefficients, while leverage, profitability, and firm size have positive coefficients. However, none of the independent variables are statistically significant at the 5 percent level.

Hypothesis Testing

F-Test (Model Feasibility Test)

The F-test was conducted to examine whether all independent variables jointly influence firm value. The results are summarized in Table 5.

Table 5. Model Fit Statistics

Statistic	Value
R-squared	0.004289
Adjusted R-squared	-0.013429
F-statistic	0.242066
Prob (F-statistic)	0.943511

Source: Processed data

The probability value of the F-statistic is 0.943511, which is greater than the 5 percent significance level. This result indicates that dividend policy, investment decisions, leverage, profitability, and firm size do not jointly have a significant effect on firm value. Although the model is statistically weak, it remains estimable and provides insights into the limited explanatory power of the selected financial variables.

t-Test (Partial Hypothesis Testing)

The t-test was used to assess the individual effect of each independent variable on firm value.

- Dividend Policy has a negative coefficient and an insignificant probability value (0.9760), indicating no significant effect on firm value. Therefore, H1 is not supported.
- Investment Decisions also show a negative and insignificant effect on firm value (probability = 0.9942), leading to the rejection of H2.
- Leverage exhibits a positive but insignificant effect on firm value (probability = 0.9413), indicating that H3 is not supported.
- Profitability has a positive coefficient but does not significantly affect firm value (probability = 0.9874), thus H4 is not supported.
- Firm Size shows a positive but insignificant relationship with firm value (probability = 0.2856), resulting in the rejection of H5.

Coefficient of Determination (R²)

The adjusted R-squared value of -0.013429 indicates that the independent variables explain a very small proportion of the



variation in firm value. This result suggests that firm value in the mining sector is largely influenced by other factors not included in the model, such as commodity price fluctuations, macroeconomic conditions, regulatory changes, and market sentiment.

DISCUSSION

Effect of Dividend Policy on Firm Value

The empirical results of this study demonstrate that dividend policy has a negative but statistically insignificant effect on firm value. This finding indicates that variations in dividend payout ratios do not significantly influence the market valuation of mining companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Accordingly, the hypothesis proposing a significant relationship between dividend policy and firm value is not supported. This result suggests that dividend policy is not a primary factor considered by investors when assessing the value of mining firms. The insignificance of dividend policy implies that changes in dividend distribution do not substantially alter investor perceptions regarding firm performance or future prospects. In other words, dividend decisions appear to play a limited role in shaping firm value within the observed period.

From a theoretical standpoint, dividend policy reflects managerial decisions concerning the allocation of earnings between dividends and retained profits. Brigham and Houston argue that dividend policy embodies a trade-off between shareholders' desire for current income and the firm's need to reinvest earnings to support growth and sustainability [1]. Firm value, meanwhile, reflects market perceptions of performance, risk, and expected future cash flows [2], [3]. Signaling theory suggests that dividend payments convey information regarding management's confidence in future earnings and cash flow stability [4]. Under this framework, stable or increasing dividends are expected to enhance firm value by signaling financial strength. However, the insignificant effect observed in this study implies that dividend signals may not be perceived as credible or relevant in the mining sector, particularly during periods of economic uncertainty and regulatory change.

In the context of the mining industry, high capital intensity and long investment horizons may weaken the signaling role of dividends. Investors may perceive high dividend payouts as reducing internal funds necessary to finance large-scale projects, thereby limiting future growth potential. Consequently, market participants may focus more on operational performance, commodity price trends, and regulatory conditions than on dividend distribution. This finding is consistent with prior empirical studies that report no significant relationship between dividend policy and firm value in emerging markets and capital-intensive sectors [5], [6]. These studies suggest that dividend policy becomes less relevant when investors prioritize growth prospects and risk management. In contrast, studies reporting a positive effect typically examine firms in more stable industries, where dividend payments serve as a stronger signal of financial health [7]. Overall, this study reinforces the view that the impact of dividend policy on firm value is highly context-dependent.

Effect of Investment Decisions on Firm Value

The regression results reveal that investment decisions have a negative and statistically insignificant effect on firm value. This indicates that variations in investment intensity do not significantly influence the market valuation of mining companies during the observation period. Therefore, the hypothesis stating that investment decisions positively affect firm value is not supported. This finding suggests that increased investment expenditure does not automatically lead to higher firm value, at least in the short to medium term. Investors may not immediately respond to changes in investment levels, particularly when the expected returns of such investments are uncertain or delayed. As a result, investment decisions may not be directly reflected in stock prices or market valuation.

Investment decisions represent managerial choices regarding the allocation of funds to projects expected to generate future cash flows and enhance firm value. Gitman and Zutter emphasize that effective investment decisions are fundamental to long-term value creation [8], while Van Horne and Wachowicz highlight their role in improving operational efficiency and competitiveness [9]. Agency theory further explains the relationship between investment decisions and firm value by emphasizing the responsibility of management to allocate shareholders' funds efficiently [10]. Efficient investments signal alignment between managerial actions and shareholder interests, whereas inefficient investments may generate agency conflicts and reduce investor confidence. In the mining sector, however, investment projects often involve large capital outlays, long gestation periods, and high exposure to uncertainty. The benefits of such investments may not be immediately observable in financial performance or market valuation. Moreover, aggressive investment expansion may increase operational risk and liquidity pressure, leading investors to adopt a cautious stance toward investment-driven growth.



This result aligns with previous studies reporting an insignificant effect of investment decisions on firm value [5], [6]. These studies argue that the market's response to investment activity depends on perceived project quality, risk, and timing. Conversely, studies finding a positive effect typically focus on sectors with shorter investment cycles and more predictable returns [7]. Thus, the findings of this study highlight the importance of industry characteristics and investment risk in shaping investor responses.

Effect of Leverage on Firm Value

The empirical findings indicate that leverage has a positive but statistically insignificant effect on firm value. This result suggests that variations in debt levels do not significantly influence the market valuation of mining companies. Consequently, the hypothesis proposing a significant effect of leverage on firm value is not supported. This outcome implies that investors do not perceive changes in leverage as a decisive factor in valuing mining firms. The insignificant effect suggests that the potential benefits of debt financing may be offset by concerns regarding financial risk, resulting in a neutral market response to leverage decisions. Leverage reflects the extent to which firms use debt to finance their assets and operations. Ross et al. argue that debt can enhance shareholder returns by enabling firms to expand beyond equity constraints [11]. Similarly, Brigham and Houston note that debt financing provides tax advantages through interest deductibility [3].

Trade-off theory explains that firms seek an optimal capital structure by balancing the tax benefits of debt against the costs of financial distress and agency problems [12]. At moderate levels, leverage may enhance firm value; however, excessive debt increases financial risk and the probability of distress, potentially reducing firm value. In the mining sector, earnings volatility and exposure to commodity price fluctuations amplify the risks associated with debt financing. Investors may therefore view leverage cautiously, particularly during periods of economic uncertainty and regulatory tightening. As a result, leverage may neither significantly enhance nor diminish firm value. This finding is consistent with prior studies reporting no significant relationship between leverage and firm value [6], [13]. These studies emphasize that the impact of leverage depends on industry risk and macroeconomic conditions. In contrast, studies that find a positive effect often highlight the disciplinary role of debt in reducing agency costs [5]. Overall, the insignificant effect observed in this study suggests that leverage does not function as a dominant determinant of firm value in the Indonesian mining sector.

Effect of Profitability on Firm Value

The empirical results of this study indicate that profitability has a positive but statistically insignificant effect on firm value. This finding implies that higher profitability does not automatically translate into higher market valuation for mining companies during the observed period. The insignificance of the relationship suggests that investors may not rely solely on accounting-based profitability measures when forming valuation judgments. Instead, market participants appear to incorporate broader considerations such as earnings sustainability, risk exposure, and external market conditions [16]. Consequently, the hypothesis positing a significant positive influence of profitability on firm value is not supported. This outcome highlights the complex nature of valuation mechanisms in capital-intensive and cyclical industries such as mining.

From a theoretical perspective, profitability reflects a firm's efficiency in generating earnings through the utilization of its assets and operational resources. Van Horne and Wachowicz define profitability as a core indicator of managerial effectiveness and operational success [9]. Gillingham further emphasizes that profitability signals a firm's capacity to convert inputs into economic value in a sustainable manner [14]. In classical financial theory, firms with higher profitability are expected to generate stronger internal cash flows, reduce dependence on external financing, and enhance shareholder wealth [17]. However, empirical evidence increasingly suggests that profitability alone may be insufficient to influence market valuation, particularly in volatile industries. This discrepancy underscores the need to interpret profitability within a broader strategic and market context.

Firm value represents the market's aggregate assessment of a firm's performance, growth prospects, and risk profile. Keown et al. argue that firm value reflects investors' expectations of long-term wealth creation rather than short-term earnings performance [2]. Brigham and Houston further assert that firm value embodies investor confidence in management's strategic decisions and future-oriented capabilities [3]. In practice, investors may discount profitability figures if they are perceived as transitory or driven by temporary external factors such as commodity price fluctuations. As a result, high profitability does not necessarily enhance firm value when future earnings stability is uncertain [18].

The relationship between profitability and firm value is commonly explained through signaling theory. According to this framework, profitability serves as a signal communicated by management to the market regarding operational efficiency and future



performance [4]. High profitability is generally interpreted as a positive signal of managerial competence and financial strength. However, in industries characterized by high uncertainty, the credibility of profitability signals may be weakened [19]. Investors may attribute profitability changes to exogenous factors rather than internal efficiency, thereby reducing their signaling impact on firm value.

Sectoral characteristics of the mining industry further explain the insignificant influence of profitability on firm value. Mining firms are highly exposed to global commodity cycles, regulatory constraints, and environmental risks. Profitability in this sector often fluctuates due to external price movements rather than operational improvements [20]. Consequently, investors may place greater emphasis on long-term investment strategy, reserve sustainability, and risk management rather than short-term profitability. This condition weakens the direct linkage between profitability and firm value.

The findings of this study align with prior research reporting an insignificant relationship between profitability and firm value [6], [13], [15], [21]. These studies argue that in emerging markets, profitability may lose explanatory power due to information asymmetry and market inefficiencies. Conversely, other studies document a significant positive effect of profitability on firm value, particularly in stable and mature industries [5], [7], [22]. The divergence in empirical findings indicates that the profitability–firm value relationship is highly context-dependent. Industry structure, market maturity, and investor behavior play critical moderating roles.

In summary, the insignificant effect of profitability on firm value suggests that investors do not rely exclusively on earnings performance when valuing mining companies. Market participants appear to assess profitability in conjunction with growth prospects, risk exposure, and strategic sustainability. This finding implies that managerial efforts to enhance firm value should extend beyond short-term profit maximization. A holistic approach that integrates profitability with long-term investment planning and risk management is more likely to strengthen market valuation. Such an approach aligns with contemporary views on sustainable value creation in capital-intensive industries [23].

Effect of Firm Size on Firm Value

The empirical results demonstrate that firm size has a positive but statistically insignificant effect on firm value. This indicates that larger firm scale does not significantly influence market valuation within the mining sector. Accordingly, the hypothesis suggesting a significant relationship between firm size and firm value is not empirically supported. The insignificance implies that investors do not automatically associate larger asset bases with superior value creation. Instead, firm size appears to be a neutral characteristic rather than a decisive valuation factor. This finding reinforces the notion that scale alone does not guarantee enhanced firm value.

Firm size generally reflects the magnitude of a company's operations and resource endowment, commonly measured through total assets or sales volume. Brigham and Houston argue that larger firms tend to possess greater access to capital markets and stronger bargaining power [1]. Such firms are often perceived as more stable and resilient in facing economic shocks. However, firm size may also be associated with bureaucratic inefficiencies and reduced operational flexibility [17]. As a result, size-related advantages may be offset by structural and managerial challenges. This trade-off helps explain why firm size does not significantly influence firm value.

Firm value, as reflected in market prices, captures investors' forward-looking expectations rather than static firm characteristics. Keown et al. emphasize that market valuation depends heavily on growth opportunities and strategic positioning [2]. Brigham and Houston further note that large firms may suffer from diminishing marginal returns on assets, which can reduce their attractiveness to investors [3]. Consequently, firm size does not automatically enhance firm value if it is not accompanied by efficient resource utilization. This perspective aligns with the insignificant relationship observed in this study. From the standpoint of signaling theory, firm size may serve as a signal of stability and lower default risk. Larger firms are often perceived as having diversified operations and stronger market power [4]. However, in industries such as mining, large asset holdings may also signal high fixed costs and regulatory exposure [24]. Investors may therefore interpret firm size ambiguously, weakening its signaling effect on firm value. As a result, firm size may fail to convey a clear positive signal to the market. Industry-specific factors further moderate the relationship between firm size and firm value. Mining companies face high capital intensity, environmental obligations, and long project lifecycles. Larger firms may encounter greater compliance costs and operational rigidity, which can constrain value creation [20]. Investors may thus prioritize efficiency, innovation, and adaptability over sheer scale. This condition reduces the relevance of firm size as a determinant of firm value in the mining sector.



The findings of this study are consistent with previous empirical evidence reporting no significant effect of firm size on firm value [6], [13], [21]. These studies suggest that size advantages may be neutralized by inefficiencies or agency problems. In contrast, other studies find a significant positive relationship between firm size and firm value, particularly in sectors benefiting from economies of scale [5], [7], [22]. Such inconsistencies indicate that the effect of firm size is contingent on industry characteristics and market conditions. Therefore, generalizing the impact of firm size across sectors should be approached with caution.

In conclusion, the insignificant effect of firm size on firm value suggests that investors do not prioritize firm scale as a key valuation criterion in the mining industry. Market participants appear to focus more on strategic quality, operational efficiency, and risk management. This finding implies that managerial strategies aimed at increasing firm value should not emphasize expansion alone. Instead, value creation should be driven by efficient asset utilization, sustainable growth, and effective governance. Such an approach is more likely to enhance firm value in the long run [23].

CONCLUSION AND RECOMMENDATIONS

This study demonstrates that Dividend Policy, Investment Decisions, Leverage, Profitability, and Firm Size do not exert a statistically significant effect on Firm Value among mining companies listed on the Indonesia Stock Exchange during the 2017–2021 period. Although some variables show positive or negative tendencies, their lack of significance indicates that investors tend to focus more on growth prospects, operational efficiency, and industry-specific risks rather than conventional financial indicators or the scale of the company. The findings suggest that, in capital-intensive and cyclical sectors such as mining, traditional financial signals—including dividend payouts and short-term profitability—may be less influential in shaping market perceptions of firm value. This highlights the importance of contextual factors, such as commodity price fluctuations, regulatory conditions, and long-term investment strategies, which may overshadow the immediate financial metrics in determining market valuation.

For future research, it is recommended to broaden the sample beyond the mining sector to include multiple industries, extend the study period to ten years, and incorporate additional variables such as corporate governance, market sentiment, or environmental and social performance. This would allow a more comprehensive understanding of the determinants of firm value in emerging markets, where conventional financial indicators may be less predictive.

From a practical standpoint, corporate managers and stakeholders should focus on enhancing long-term operational performance, strategic growth initiatives, and risk management practices. Investors may benefit from evaluating firms based on their capacity to sustain profitability, manage leverage prudently, and respond to market and regulatory dynamics, rather than relying solely on short-term financial indicators. Regulators and policymakers could also support market stability by improving transparency, disclosure requirements, and providing guidance on corporate governance, enabling investors to make more informed decisions. By aligning managerial strategies, investor expectations, and regulatory frameworks, stakeholders can collectively foster sustainable firm value creation in capital-intensive and volatile sectors such as mining.

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