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FINANCIAL DECISIONS AND FIRM VALUE: THE MODERATING ROLE OF GOOD CORPORATE GOVERNANCE AND ENVIRONMENTAL DISCLOSURE

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Abstract:
This research aims to examine the effect of investment decisions, funding decisions, and dividend policy on firm value by including good corporate governance and environmental disclosure as moderating variables. This research was conducted on 47 banking sub-sector companies listed on the Indonesia Stock Exchange in 2023, to provide an empirical picture of the dynamics of financial decision-making and its implications for market valuation. The approach used is quantitative research with data analysis techniques, Moderated Regression Analysis, to test nine research hypotheses, based on secondary data obtained from the company's annual report. The results showed that investment decisions and dividend policy had a positive effect on firm value, while funding decisions had no significant effect. Meanwhile, institutional ownership and environmental disclosure are not proven to moderate the relationship between the three financial decisions and firm value. These findings indicate that investment decisions and dividend policies are important signals for the market, while the moderating role of good corporate governance and environmental disclosure is not optimal in the context of the banking industry. This research is expected to enrich empirical studies related to signal theory and provide input for company management and stakeholders in formulating financial strategies and sustainability policies that support the increase in firm value.

Keywords: Firm Value, Financial Decisions, GCG, Environmental Disclosure

INTRODUCTION

The COVID-19 pandemic has had a significant impact on the banking sector, both in terms of financing, risk management, and capital structure. Financial decisions made by banks during the economic crisis, such as changes in credit policy, provision of financing to affected sectors, and liquidity management, determine the operational viability and market value of the bank. Many banks in Indonesia decided to restructure loans or relax loan payments to debtors. Such decisions have a direct influence on the liquidity and profitability of the bank, which in turn affects the value of the company (stock value and market capitalization). Prudent decisions on capital and credit management during a crisis can greatly affect the resilience and value of banking firms. Corporate financial decisions include investment decisions, financing decisions, and dividend policy. The three decisions are interconnected because investment decisions can be made if supported by sufficient funds, while to obtain these funds, it is necessary to make a funding decision that is appropriate and in accordance with the conditions of the company and is influenced by dividend policy or share buybacks (Pramartha et al., 2020).

The right financial decisions, such as an optimal capital structure and efficient resource allocation, can increase firm value and shareholder wealth. Conversely, poor financial decisions can expose the company to financial risks, potentially leading to financial difficulties or even bankruptcy (Doan, 2020). In the context of banking in Indonesia, recent phenomena show that there are issues

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related to corporate financial decision-making that affect firm value. For example, several banks in Indonesia have reported a decline in net income due to increased operating costs and decreased interest rate income (Jeihan Ali Azhar et al., 2023). In addition, there is also a phenomenon related to the importance of implementing good corporate governance in the banking industry. Good Corporate Governance (GCG) in banking focuses on how a bank is managed with the principles of transparency, accountability, responsibility, independence, and fairness. The implementation of good corporate governance is expected to improve the quality of management and financial decision-making, thus having an impact on increasing firm value (Suyono & Farooque, 2018). Good corporate governance practices, such as the composition of the board of commissioners, managerial ownership, and institutional ownership, can improve supervision and control over management, thereby encouraging more optimal financial decisions (Oktapiani, 2020).

Environmental issues are also an important concern for companies in Indonesia, including the banking industry. OJK has issued Sustainable Banking Regulations that regulate corporate social responsibility (CSR) and the application of sustainability principles in banking operations. Some banks in Indonesia have started to integrate environmental issues into their business strategies, such as by financing environmentally friendly projects. A bank's decision to allocate funds to green or sustainable projects (e.g., financing for renewable energy or environmentally friendly businesses) can influence investor perceptions and enhance the bank's reputation. However, it may also increase operating costs in the short term. The implementation of environmentally friendly practices and disclosure of information related to environmental issues are expected to affect stakeholders' perceptions of firm value (Sadira & Ermaya, 2023).

Based on these phenomena, this research aims to examine the effect of financial decisions on firm value in the banking sector in Indonesia, by considering the interaction of aspects of good corporate governance and environmental disclosure as a moderator. The banking industry was chosen because this sector is one of the important sectors in the Indonesian economy and has a strategic role in supporting economic growth (N. S. Putri & Widjaja, 2022). In the context of banking, effective financial decisions, such as optimizing capital structure, liquidity management, and operational efficiency, can contribute to improving firm performance and value (Nuraini et al., 2022). Various previous studies have examined the factors that affect firm value; however, there are still inconsistent research results regarding the effect of financial decisions on firm value. This research attempts to use moderating variables that serve to assess how certain factors can influence or change the strength or direction of the relationship between two variables. This research uses Good Corporate Governance and environmental disclosure as moderating variables, which provide a deeper understanding of how internal factors (such as corporate governance structures) and external factors (such as sustainability and corporate social responsibility) affect the impact of financial decisions on firm value. This research uses Signaling Theory as the basis for formulating hypotheses, directing data collection, and providing a framework for interpreting results.

Signaling theory explains that information provided to the market can be a positive or negative signal to investors (Spence, 1973). Positive signals, such as favorable investment decisions or dividend policies, are interpreted as a sign of good growth prospects, thus increasing the value of the company. In the context of this research, signal theory is used to understand how financial decisions (investment, financing, and dividends) affect market perceptions, as well as how institutional ownership and environmental disclosure can strengthen or weaken these signals. Recent research confirms the relevance of signaling theory in the Indonesian capital market, where firms' strategic decisions influence stock price responses (Putra & Sari, 2021; Rahman & Dewi, 2023). Investment decisions reflect the allocation of corporate resources to projects or assets that are

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expected to provide future profits. PER measures the market's expectation of a company's future earnings. A high PER generally signals investor confidence in growth prospects, which is in line with signaling theory. In the banking sector, investment decisions include credit expansion, service digitalization, and revenue diversification (Rohmah & Pertiwi, 2020; Putri & Damayanti, 2023).

Funding decisions are related to the capital structure used by the company, specifically the proportion of debt to equity. DER reflects the company's level of leverage. According to signal theory, the use of debt can be perceived as a sign of management's confidence in the ability to generate profits in the future. However, in the banking sector, DER tends to be naturally high, so it is not always a strong signal to investors (Robiyatun & Harjayanti, 2024; Apryani et al., 2021). Dividend policy indicates the distribution of profits to shareholders. A high dividend yield is often considered a positive signal regarding financial stability and profit prospects. In the banking industry, stable or increasing dividends can strengthen the company's image in the eyes of investors. Recent research shows that DPR has a positive influence on firm value, especially in the financial sector (Rahayu & Dewi, 2023; Prasetyo & Wulandari, 2023).

Institutional ownership is share ownership by institutions such as pension funds, insurance companies, and investment managers. Institutional investors have an important role in management oversight (monitoring role) to ensure financial decisions are aligned with the interests of shareholders. As a moderating variable, institutional ownership is expected to strengthen the relationship between financial decisions and firm value, although in the banking industry, this effect is often insignificant due to the stable nature of ownership (Handayani & Putra, 2021; Wulandari & Saputra, 2022). Environmental disclosure is the delivery of public information related to the company's environmental performance and impact. In signaling theory, environmental disclosure can strengthen investor confidence in the company's sustainability commitment. However, in the Indonesian banking sector, these disclosures still tend to be regulatory compliance and not fully integrated with financial strategy, so the moderating effect is often weak (Sari & Wicaksono, 2020; Gunawan et al., 2023).

Investment decisions reflect a company's strategy in allocating resources to assets or projects that have the potential to provide economic benefits in the future. In the framework of signal theory, the right investment decision is a positive signal for investors because it shows the company's growth prospects and ability to generate profits. The better the investment decisions taken, the higher the investor's confidence in the company's performance, which in turn increases the company's value. Putri and Damayanti's research (2023) found that the Price Earnings Ratio (PER) has a positive effect on Price to Book Value (PBV) in the financial sector. Based on this, the first hypothesis formulated in this research is as follows.

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

Funding decisions are related to the capital structure used by the company, especially the proportion between debt and equity. According to signal theory, excessive use of debt can be a negative signal to the market because it increases financial risk and the potential for default. In the banking industry, high leverage is normal, but an increase in Debt to Equity Ratio (DER) that is not matched by optimal performance can reduce investor confidence. Research by Robiyatun et al. (2024) proves that DER has no significant effect on PBV in banking companies, while Apryani (2021) found a negative effect of DER on firm value in the financial sector. Based on this, the second hypothesis formulated in this research is as follows.

H2: Funding decisions have a negative effect on firm value.

Dividend policy is a management decision to distribute profits to shareholders. In signal theory, consistent or increased dividend payments indicate cash flow stability and good financial

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prospects, which can increase firm value. Investors often view dividends as a sign of financial health. Rahayu & Dewi (2023) prove that the Dividend Payout Ratio (DPR) has a positive effect on PBV in banking companies, in line with the findings of Prasetyo & Wulandari (2023) in the financial sector. Based on this, the third hypothesis formulated in this research is as follows.

H3: Dividend policy has a positive effect on firm value.

Good Corporate Governance (GCG), as measured by institutional ownership, plays an important role in monitoring management. Institutional investors have better analytical capacity and access to information, so they can ensure investment decisions are aligned with the interests of shareholders. Handayani & Putra (2021) show that institutional ownership can strengthen the relationship between investment decisions and firm value. Based on this, the fourth hypothesis formulated in this research is as follows.

H4: GCG strengthens the effect of investment decisions on firm value.

Good Corporate Governance through institutional ownership can function as a control mechanism to prevent excessive debt usage. Institutional investors who have significant ownership can limit high-risk funding policies, so that the negative relationship between funding decisions and firm value can be more clearly seen. Yuliana & Pramudito (2021) found that institutional ownership can limit high-risk funding policies in banking. Based on this, the fifth hypothesis formulated in this research is as follows.

H5: GCG weakens the effect of funding decisions on firm value.

A good dividend policy can be strengthened through the implementation of Good Corporate Governance because effective governance ensures that profit distribution is fair, transparent and sustainable. Institutional ownership can put pressure on management to maintain a dividend policy that benefits shareholders. This is expected to strengthen the positive relationship between dividend policy and firm value. Ningsih & Wulandari (2020) show that institutional ownership can strengthen the effect of dividend policy on firm value in the financial sector. Based on this, the sixth hypothesis formulated in this research is as follows.

H6: GCG strengthens the influence of dividend policy on firm value.

Environmental disclosure is the delivery of public information related to the company's environmental performance. If done well, this disclosure can strengthen the positive signal of investment decisions because investors will see that the company pays attention to sustainability. Environmental disclosure reflects the company's commitment to sustainability and social responsibility. When environmental disclosure is done well, it can strengthen the positive signals generated from investment decisions, as investors will assess that the company is not only profit-oriented but also focused on long-term sustainability. Sari & Wicaksono (2020) found that environmental disclosure can increase market response to investment decisions. Based on this, the seventh hypothesis formulated in this research is as follows.

H7: Environmental disclosure strengthens the effect of investment decisions on firm value.

Environmental disclosure can affect the way investors view the use of debt. If the company has strong environmental disclosures, investors may be more critical of the use of high debt, which may hinder the company's ability to finance environmentally friendly projects. Thus, environmental disclosure is expected to weaken the relationship between funding decisions and firm value. Wijayanti & Hartono (2020) showed that companies with good environmental disclosure tend to be more cautious in their funding structure, which can weaken the negative relationship of DER to PBV. Based on this, the eighth hypothesis formulated in this research is as follows.

H8: Environmental disclosure weakens the effect of funding decisions on firm value.

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Comprehensive environmental disclosure can enhance the market's positive perception of dividend policy. When companies publicly report their environmental performance, dividend distribution will be viewed not only as a short-term profit distribution, but also as part of a long-term sustainable strategy. This is expected to strengthen the positive relationship between dividend policy and firm value. Mulyani & Dewi (2021) prove that environmental transparency can strengthen the market response to dividend distribution, as it is considered aligned with a long-term sustainable strategy. Based on this, the ninth hypothesis formulated in this research is as follows.

H9: Environmental disclosure strengthens the effect of dividend policy on firm value.

METHODS

This research uses a quantitative approach with associative methods to test the relationship between independent variables, dependent variables, and moderating variables. The analysis model used is Moderated Regression Analysis (MRA) to test the interaction of Good Corporate Governance (institutional ownership) and Environmental Disclosure on the influence of financial decisions on firm value. This approach was chosen because it is able to explain whether moderating variables can strengthen or weaken the relationship between the main variables. The research population is all banking subsector companies listed on the Indonesia Stock Exchange (IDX) in 2023. Based on IDX data, 47 banking subsector companies meet the population criteria. The sampling technique uses saturated samples, where all members of the population are used as research samples, so that the total sample is 47 companies. The type of data used is secondary data, with data collection carried out through the documentation method by downloading annual reports, financial reports, and sustainability reports from the official IDX website and the official website of each research sample banking company. The operational definitions of each variable in this research are presented in Table 1 as follows.

Table 1. Operational Definition of Variables

Variable	Indicator	Measurement Formula/Scale
Investment Decision (X1)	Price Earnings Ratio (PER)	PER = Stock Price ÷ EPS
Funding Decision (X2)	Debt to Equity Ratio (DER)	DER = Total Debt ÷ Total Equity
Dividend Policy (X3)	Dividend Payout Ratio (DPR)	DPR = Cash Dividend ÷ Net Income
Good Corporate Governance (Z1)	Institutional Ownership	(Shares owned by institutions ÷ Total Shares Outstanding) × 100%
Disclosure Environment (Z2)	Environmental Disclosure Index	Score based on disclosed GRI items ÷ total items
Firm Value (Y)	Price to Book Value (PBV)	PBV = Share Price ÷ Book Value per Share

This research uses Moderated Regression Analysis as the main analysis tool. The stages of data testing carried out are descriptive statistics, classical assumption tests (normality test and heteroscedasticity test), Moderated Regression Analysis, analysis of the coefficient of determination (*Adjusted R Square*), model feasibility test (F test), and research hypothesis test (t test). To answer the nine hypotheses in this research, three regression equations were used, namely as follows.

$$Y = a + b1X1 - b2X2 + b3X3 + e \quad \text{.....(1)}$$
$$Y = a + b1X1 - b2X2 + b3X3 + b4X1*Z1 - b5X2*Z1 + b6X3*Z1 + e \quad \text{..... (2)}$$
$$Y = a + b1X1 - b2X2 + b3X3 + b7X1*Z2 - b8X2*Z2 + b9X3*Z2 + e \quad \text{.....(3)}$$

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Description:
Y = Firm value
a = Constant
b1-b9 = Regression Coefficient
X1 = Investment Decision
X2 = Funding Decision
X3 = Dividend Policy
Z1 = Good Corporate Governance (Institutional Ownership)
Z2 = Environmental Disclosure
* = Interaction
e = Error term

The conceptual framework of this research is presented in Figure 1 as follows.

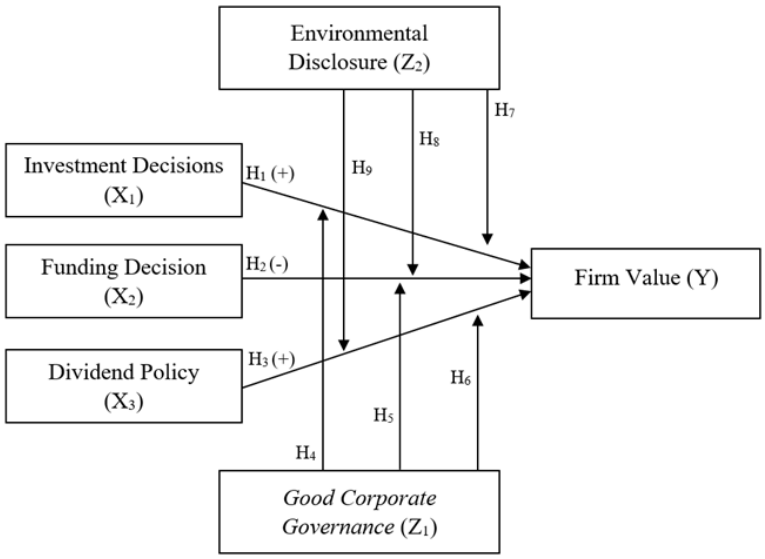

Figure 1. Conceptual Framework

RESULT AND DISCUSSION

Table 2. Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
Investment Decision	47	0,0000	555,5600	53,148511	106,2270960
Funding Decision	47	0,1387	12,5057	4,066745	2,7354016
Dividend Policy	47	0,0000	0,9669	0,191558	0,2869095
Institutional ownership	47	0,0201	1,0000	0,667613	0,3131236
Environmental Disclosure	47	0,0588	0,7647	0,314768	0,1885183
Firm value	47	-2,1500	5,4100	1,639362	1,7309666
Valid N (listwise)	47				

Source: Data processed, 2025

Descriptive statistics show that of the 47 sample banking companies, Investment Decision (PER) has an average of 53.15 with very high variation, indicating a large difference in investment

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strategy between companies. Funding Decisions (DER) averages 4.07, indicating a fairly high level of leverage, while Dividend Policy (DPR) averages 0.19, indicating most companies pay relatively small dividends. For moderating variables, Institutional Ownership averages 0.67, reflecting the dominance of institutional shareholders, while Environmental Disclosure averages 0.31, indicating environmental reporting practices are at a moderate level. Firm Value (PBV) has an average of 1.64 with a wide range of values, indicating a disparity in market performance between companies.

The statistical test used to test data normality is to use the Kolmogorov-Smirnov (K-S) test. Normality testing was conducted on both regression equations used in this research. The normality test is presented in Table 3 as follows.

Table 3. Normality Test Results

	Unstandardized Residual		
	Equation I	**Equation II**	**Equation III**
N	47	47	47
Asymp. Sig. (2-tailed)	0,200	0,200	0,200

Source: Data processed, 2025

The normality test results in Table 3 show that the value of Asymp. Sig. the first equation is 0.200, the second equation is 0.200, and the third equation is 0.200. All three values are greater than α = 0.05 (0.200> 0.05). So it can be concluded that the data used in this research are normally distributed.

The heteroscedasticity test is performed by regressing the absolute residual value of the estimated model on the independent variables, and it is expected that none of the independent variables has a significant effect on the absolute residual value. Heteroscedasticity testing was carried out on both regression equations used in this research. The heteroscedasticity test is presented in Table 4 as follows.

Table 4. Heteroscedasticity Test Results

Variable	**Significance on absolute residual**		
	Equation I	**Equation II**	**Equation III**
Investment Decision	0,369	0,292	0,449
Funding Decision	0,120	0,440	0,679
Dividend Policy	0,192	0,555	0,741
Investment decision * KI	-	0,383	-
Funding Decision * KI	-	0,910	-
Dividend Policy * KI	-	0,897	-
Investment decision * EnDi	-	-	0,889
Funding Decision * EnDi	-	-	0,556
Dividend Policy * EnDi	-	-	0,875

Source: Data processed, 2025

The results of the heteroscedasticity test in Table 4 show that the significance value of the absolute residual obtained by each variable from equation I, equation II and equation III has a value greater than α = 0.05. So, it can be concluded that the data used does not exhibit symptoms of heteroscedasticity.

This research formulates three regression equations, namely one multiple linear regression equation and two Moderated Regression Analysis (MRA) equation models. The first equation is a

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multiple linear regression analysis used to test hypotheses H1, H2, and H3. The second equation is a Moderated Regression Analysis (MRA) regression used to test hypotheses H4, H5, and H6. The third equation is a Moderated Regression Analysis (MRA) regression used to test hypotheses H7, H8, and H9. The first equation test is presented in Table 5 as follows:

Table 5. Multiple Linear Regression Analysis Results Equation I

Model	Unstandardized Coefficients		Standardized Coefficients	Sig.	Description
	B	Std. Error	Beta		
(Constant)	0,880	0,460		0,063	
Investment Decision	0,008	0,002	0,484	0,001	Significant
Funding Decision	-0,017	0,086	-0,027	0,845	Not Significant
Dividend Policy	2,133	0,829	0,354	0,014	Significant
Adjusted R Square					0,220
Sig. F					0,003

Source: Data processed, 2025

Through multiple linear regression testing of the first equation in Table 1.4, the regression equation is as follows.

$$Y = 0.880 + 0.008\ X1 - 0.017\ X2 + 2.133\ X3 + e \quad \text{.....(4)}$$

The second equation Moderated Regression Analysis test, is presented in Table 6 as follows.

Table 6. Test Moderated Regression Analysis Equation II

Model	Unstandardized Coefficients		Standardized Coefficients	Sig.	Description
	B	Std. Error	Beta		
(Constant)	0,933	0,472		0,055	
Investment Decision	0,009	0,012	0,555	0,442	Not Significant
Funding Decision	-0,148	0,154	-0,234	0,341	Not Significant
Dividend Policy	4,604	2,053	0,763	0,031	Significant
Investment Decision * KI	-0,002	0,014	-0,109	0,881	Not Significant
Funding Decision * KI	0,195	0,212	0,233	0,362	Not Significant
Dividend Policy * KI	-3,782	2,862	-0,465	0,194	Not Significant
Adjusted R Square					0,196
Sig. F					0,020

Source: Data processed, 2025

Through testing the Moderated Regression Analysis of the second equation in Table 6, the regression equation is as follows.

$$Y = 0.933 + 0.009\ X1 - 0.148\ X2 + 4.604\ X3 - 0.002\ X1*Z1 + 0.195\ X2*Z1 - 3.782\ X3*Z1 + e \quad \text{.....(5)}$$

The third equation Moderated Regression Analysis test, is presented in Table 7 as follows.

Table 7. Test Moderated Regression Analysis Equation III

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Model	Unstandardized Coefficients		Standardized Coefficients	Sig.	Description
	B	Std. Error	Beta		
(Constant)	0,767	0,491		0,126	
Investment Decision	0,004	0,003	0,274	0,202	Not Significant
Funding Decision	0,029	0,136	0,046	0,831	Not Significant
Dividend Policy	1,087	1,989	0,180	0,588	Not Significant
Investment Decision * EnDi	0,024	0,019	0,267	0,208	Not Significant
Funding Decision * EnDi	-0,135	0,280	-0,124	0,631	Not Significant
Dividend Policy * EnDi	2,765	4,354	0,233	0,529	Not Significant
Adjusted R Square					0,202
Sig. F					0,018

Source: Data processed, 2025

Through testing the Moderated Regression Analysis of the third equation in Table 7, the regression equation is as follows.

$$Y = 0.767 + 0.004\ X1 + 0.029\ X2 + 1.087\ X3 + 0.024\ X1 * Z2 - 0.135\ X2 * Z2 + 2.765\ X3 * Z2 + e \text{.....(6)}$$

The Coefficient of Determination analysis is used to measure how well the ability of all independent variables explains variations in the dependent variable (Ghozali, 2021). In this research, the coefficient of determination is seen through the Adjusted R Square value. The values of Adjusted R Square of the three regression equations used in this research are presented in Table 8 as follows.

Table 8. Adjusted R Square Analysis and F Significance

	Equation I	Equation II	Equation III
Adjusted R Square	0,220	0,196	0,202
F Significance	0,003	0,020	0,018

Source: Data processed, 2025

Based on Table 8, it can be seen that the value of Adjusted R Square in the first equation of 0.220 means that 22.0 percent of the variation in changes in firm value in this research can be explained by investment decision variables, funding decisions, and dividend policy. At the same time, the remaining 78.0 percent is influenced by other variables outside of the model used in the first equation. The value of Adjusted R Square in the second equation of 0.196 means that investment decision variables, funding decisions, dividend policies, interaction of investment decisions with institutional ownership, interaction of funding decisions with institutional ownership, and interaction of dividend policies with institutional ownership can explain 19.6 percent of the variations in changes in firm value in this research. At the same time, the remaining 80.4 percent is influenced by other variables outside of the model used in the second equation. There is a decrease in the Adjusted R Square value between the first equation and the second equation by 2.4 percent. This shows that with the interaction variable in the research model, it will reduce the percentage of the model's ability to explain the variation in changes in the firm value variable in this research. The value of Adjusted R Square in the third equation of 0.202 means that investment decision variables, funding decisions, dividend policies, interaction of investment decisions with environmental disclosure, interaction of funding decisions with environmental disclosure, and interaction of dividend policies with environmental disclosure can explain 20.2 percent of the variations in

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changes in firm value in this research. At the same time, the remaining 79.8 percent is influenced by other variables outside of the model used in the second equation. There is a decrease in the Adjusted R Square value between the first equation and the third equation by 1.8 percent. This shows that with the interaction variable in the research model, it will reduce the percentage of the model's ability to explain variations in changes in the firm value variable in this research.

The Model Feasibility Test (F Test) aims to test whether the model used in this research is feasible or not to be used as an analytical tool in testing the effect of the independent variable on the dependent variable. The results of testing the suitability of the regression model for the first equation, second equation and third equation in this research are presented in Table 1.7. Based on the results of the model fit test in Table 8, it can be seen that the p-value (F Significance) of the first equation is 0.003, the second equation is 0.020, and the third equation is 0.018, which means that each equation has a value that is smaller than the value of α = 0.05. This shows that the first equation model, the second equation and the third equation used in this research are suitable for use as an analytical tool to test the effect of independent variables and moderation variables on the dependent variable.

The t-statistical test is conducted to determine how far the influence of one independent variable individually explains the variation in the dependent variable. The t-statistical test is carried out by comparing the results of the significance value of each independent variable in the regression model with α = 0.05 and comparing them with the previously formulated hypothesis. This research formulates 9 hypotheses, which are divided into three regression equations. The results of the significance value of each variable in the first equation can be seen in Table 5, the significance value of each variable in the second equation can be seen in Table 6, and the significance value of each variable in the third equation can be seen in Table 7. The explanation of the hypothesis test results is as follows.

Hypothesis Testing 1. Based on Table 5, the t-test significance value of the investment decision variable is 0.000; this value is smaller than α = 0.05 (0.000 <0.05), which means significant. Moreover, obtained a regression coefficient value of 0.008. This shows that the probability of investment decisions has a positive effect on firm value, so the first hypothesis in this research is accepted. This finding indicates that the higher the investment decision taken by the company, the greater the market perception of the company's future growth prospects. Investors tend to assess that companies that are able to make the right, efficient, and growth-oriented investment decisions will have higher profit potential, so that the company's value in the eyes of investors will also increase.

According to signal theory, investment decisions taken by management are a positive signal to the market regarding the company's growth prospects. In the context of banking, investment decisions can be in the form of allocating funds to productive loan portfolios, developing digital banking services, or expanding office networks that are projected to increase interest and non-interest income. Investors perceive this decision as an indicator that management has better internal information about potential future profits than outsiders. If associated with the context of the banking sector, investment decisions can be in the form of placing funds in productive credit portfolios, profitable financial instruments, or opening new efficient service networks. The right investment decision will be a positive signal to investors that management is able to manage funds well to increase profitability in the future. This is in accordance with the signal theory, which states that management decisions that reflect the company's good prospects will send positive signals to the market, thus triggering an increase in stock prices and firm value (Spence, 1973; Brigham et al., 2018). This finding is also in line with the characteristics of the banking industry in Indonesia in 2023, which experienced increased profitability due to post-pandemic economic recovery and stable

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credit growth. Banking companies with high PER are generally associated with better earnings expectations, thus pushing up PBV. This is especially true for banks that are actively digitizing their services and expanding financing to strategic sectors.

The results of this research are in line with research that found that PER has a positive effect on PBV in the financial sector on the IDX, indicating that the market responds positively to expectations of earnings growth (Fatma & Aniesatun, 2024). In the banking industry, it was noted that appropriate investment policies increase investor confidence and have a direct impact on firm value (Muhammad & Selamet, 2024). Companies with high PER ratios tend to obtain greater market valuations, as they are considered to have better performance prospects (Jereld & Harahap, 2021). Investment decisions in the financial sector act as strong signals capable of influencing investor perceptions, especially in periods of market volatility (Octavia et al., 2022; Pradana, 2023).

Hypothesis 2 Testing. Based on Table 5, the t-test significance value of the funding decision variable is 0.845; this value is greater than α = 0.05 (0.845> 0.05), which means it is not significant. Moreover, obtained a regression coefficient value of -0.017. This shows that the probability of funding decisions does not affect firm value, so the second hypothesis in this research is rejected. These results indicate that funding decisions projected by the Debt to Equity Ratio (DER) have no effect on firm value. This finding indicates that the level of leverage or the proportion of debt to equity is not the main factor influencing investors' perceptions of the value of banking companies on the IDX in 2023. In other words, investors may not really consider the level of debt as a signal of future performance in the context of the banking sector, which is naturally highly leveraged as part of its business model.

Information related to debt-based funding (DER) does not provide a strong enough signal to investors regarding growth prospects or profitability. This could be due to the characteristics of the banking industry, which relies on high leverage to generate interest income. Therefore, the variability of DER in this sector tends to be considered normal by investors and is not a determining indicator of stock market value. Banking investors focus more on asset quality, loan growth, and profitability than debt-to-equity ratio. In 2023, Indonesia's banking sector is in a phase of economic recovery with a relatively strong capitalization ratio (CAR), so variations in DER do not affect market perception much. In addition, strict banking regulations limit the risk of excessive leverage, making investors pay more attention to other factors such as operational efficiency (BOPO), profit growth, and product innovation (Jayawarsa & Saputra, 2025). These findings suggest that information related to debt-based funding (DER) does not provide a strong enough signal to investors regarding growth prospects or profitability. This condition can be caused by the characteristics of the banking industry, which relies on high leverage as its business model. Apryani (2021) also found that DER in banking companies does not have a significant effect on firm value because high leverage is considered normal and has been anticipated by investors.

These results are in line with several recent studies that find that DER does not always affect firm value, especially in the banking sector. Robiyatun et al (2024) found that in the banking industry, DER has no significant effect on PBV because high leverage is a characteristic of the banking business that has been anticipated by investors (Robiyatun & Harjayanti, 2024). Apryani (2021) also found that DER has no effect on firm value in the financial sector because investors consider more profitability factors (Apryani et al., 2021).

Hypothesis Testing 3. Based on Table 5, the t-test significance value of the dividend policy variable is 0.014; this value is greater than α = 0.05 (0.014 <0.05), which means significant. Moreover, obtained a regression coefficient value of 2.133. This shows that the probability of dividend policy has a positive effect on firm value, so the third hypothesis in this research is accepted. A high

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dividend policy indicates that the company can distribute profits to shareholders consistently. This finding indicates that the higher the dividends distributed, the higher the investor's assessment of the company. Investors consider dividend payments as a positive signal about financial performance and sustainable profit prospects in the future.

When associated with a signal theory perspective, dividend policy is seen as a form of management communication to the market. Stable or increasing dividend payments are an indication that the company has healthy cash flow and good business prospects. This strengthens investors' belief that management is optimistic about the company's ability to generate profits in the future, so they are willing to give higher valuations to the company's shares. This condition is in line with the characteristics of the banking industry in Indonesia in 2023, where many banks distribute high dividends as a strategy to maintain investor confidence amid industry competition and global market volatility. This policy is often considered a strategy to maintain shareholder loyalty while signaling financial stability.

This finding is in line with research by Pangestu et al (2024), which found that DPR has a positive effect on PBV in banking companies on the IDX, because high dividend payments are perceived as a sign of the company's financial health (Pangestu & Akwila, 2024). Ramdita et al. (2025) also showed similar results in the financial sector, where an increased dividend policy had a direct impact on increasing share prices and PBV (Ramdita et al., 2025). In addition, Aryadita et al (2024) emphasize that dividends act as a signal that strengthens the company's reputation and increases investors' perception of the company's value (Aryadita et al., 2024).

Hypothesis Testing 4. Based on Table 6, the significance value of the t test of the investment decision variable * KI which is a test of the KI variable in moderating the effect of investment decisions on firm value, the regression coefficient value is -0.002 and the p-value is 0.881, this value is greater than α = 0.05 (0.881> 0.05) which means it is not significant. Because it is testing the moderating effect, these results need to be combined with the significance value of the investment decision variable. The investment decision variable obtained a regression coefficient value of 0.009 and a p-value of 0.442; this value is greater than α = 0.05 (0.442 > 0.05), which means it is not significant. Because the investment decision variable * KI is negatively insignificant and the investment decision variable is positively insignificant, the KI variable is a type of moderating predictor. This shows that the probability of KI cannot moderate the effect of investment decisions on firm value, so the fourth hypothesis in this research is rejected.

This finding indicates that the large portion of ownership by institutions, such as investment companies, pension funds, or banks, does not significantly change the relationship between investment decisions and market valuation of banking companies on the IDX in 2023. From a signaling theory perspective, investment decisions are expected to be a positive signal to investors. However, when the institutional ownership variable is included as a moderating factor, there is no significant change in the strength of the effect of investment decisions on firm value. This can be explained by the possibility that institutional investors in the Indonesian banking sector already have their information and analysis, which makes them less dependent on the company's investment decision signals. Institutional ownership in the banking sector is generally stable and concentrated in a few large shareholders, so variations in ownership percentage do not affect the market response much. In addition, investment decision-making by banks is highly regulated and supervised by the authorities, making differences in investment strategies between banks not significant enough to affect institutional investors' perceptions of firm value.

This finding is in line with Arsita et al (2023), who found that institutional ownership does not moderate the relationship between investment decisions and firm value in the banking sector,

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because investment decisions in this industry are more influenced by regulatory factors and macroeconomic conditions (Arsita & Nurmawati, 2023). Salehi et al (2022) also found that although institutional ownership plays a role in supervision, its impact as a moderator in the investment-firm value relationship is not significant (Salehi et al., 2022).

Hypothesis Testing 5. Based on Table 6, the t-test significance value of the funding decision variable * KI, which is a test of the KI variable in moderating the effect of funding decisions on firm value, obtained a regression coefficient value of 0.195 and a p-value of 0.362, this value is greater than α = 0.05 (0.362> 0.05), which means it is not significant. Because it is a test of moderating influence, these results need to be combined with the significance value of the funding decision variable. The funding decision variable obtained a regression coefficient value of -0.148 and a p-value of 0.334; this value is greater than α = 0.05 (0.334 > 0.05), which means it is not significant. Because the funding decision variable * KI is positively insignificant and the funding decision variable is negatively insignificant, the KI variable is a type of moderating predictor. This shows that the probability of KI cannot moderate the effect of funding decisions on firm value, so the fifth hypothesis in this research is rejected. The amount of ownership by institutions such as pension funds, insurance companies, or investment managers does not change the strength or direction of the effect of funding decisions on market valuation in banking companies on the IDX in 2023.

According to signal theory, capital structure through the use of debt can be a positive signal if managed properly, and institutional ownership can strengthen this signal through a strict monitoring function. Debt-based funding decisions should signal to the market management's confidence in future earnings prospects. However, when institutional ownership is included as a moderating factor, the signal does not change significantly. This suggests that institutional investors in the banking sector may already have sufficient information about the leverage characteristics of the industry, so funding decisions are not considered as an additional signal that affects their valuation. The leverage ratio of banks is relatively high because their business model relies on third-party funds (DPK) for loan financing, so the variation in DER between banks does not significantly affect institutional investors' perception. On the other hand, strict capital regulations from OJK make institutional investors assess leverage more as a standard characteristic of the industry, not the main determinant of market value.

This finding is in line with the research of Winarsih et al (2023), which shows that institutional ownership does not moderate the effect of DER on PBV in banking companies on the IDX, because high leverage is a normal condition in this sector (Winarsih et al., 2023). Manurung (2022) also found that although institutional ownership can improve management oversight, its impact is not significant in changing the effect of funding decisions on firm value in the financial sector (Manurung, 2022). In addition, Boenyamin (2023) asserts that institutional investors tend to focus more on earnings performance and asset quality than on short-term funding structure, so the moderating effect is weak (Boenyamin & Santioso, 2023).

Hypothesis Testing 6. Based on Table 6, the t-test significance value of the dividend policy * KI variable, which is a test of the KI variable in moderating the effect of dividend policy on firm value, obtained a regression coefficient value of -3.782, and a p-value of 0.194, this value is greater than α = 0.05 (0.194> 0.05), which means it is not significant. Because it is a test of moderating influence, these results need to be combined with the significance value of the Dividend policy variable. The dividend policy variable obtained a regression coefficient value of 4.604 and a p-value of 0.031; this value is smaller than α = 0.05 (0.031 < 0.05), which means significant. Because the dividend policy variable * KI is insignificantly negative and the Dividend policy variable is significantly positive, the KI variable is a type of moderating predictor. This shows that the

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probability of KI cannot moderate the effect of dividend policy on firm value, so the sixth hypothesis in this research is rejected. This may indicate that the large or small portion of ownership by institutions such as insurance companies, pension funds, or investment managers does not change the strength or direction of the effect of dividend policy on market valuation in banking companies on the IDX in 2023.

Dividend policy is often considered a positive signal that shows management optimism about future financial prospects. However, when institutional ownership is included as a moderating variable, the signaling effect of dividend policy remains significantly unchanged. This may occur because institutional investors usually have strong fundamental analysis capabilities and extensive access to information, so they do not rely only on information from dividend policy to assess the company's prospects. Banking companies generally have a stable dividend distribution policy, especially large banks, so the variation in DPR between banks is relatively small and not enough to influence the assessment of institutional investors. For institutional investors, factors such as earnings growth, operational efficiency (BOPO), and asset quality tend to be more dominant in determining firm value.

This finding is in line with the research of Hustin et al (2023), which shows that institutional ownership does not moderate the effect of dividend policy on firm value in the banking sector because dividend policy has become a relatively stable corporate habit (Jason Husin, 2023). Setiabudi (2021) also found similar results in financial companies, where the effect of dividend policy on firm value did not change significantly when moderated by institutional ownership (Setiabudi, 2021). In addition, Salsabila et al (2025) emphasize that institutional investors tend to consider long-term growth prospects and business strategies more than short-term earnings distribution indicators (Denaya et al., 2025).

Hypothesis Testing 7. Based on Table 7, the t-test significance value of the investment decision variable * EnDi, which is a test of the EnDi variable in moderating the effect of investment decisions on firm value, obtained a regression coefficient value of 0.024 and a p-value of 0.208, this value is greater than $\alpha = 0.05$ (0.208> 0.05), which means it is not significant. Because it is a test of moderating influence, these results need to be combined with the significance value of the investment decision variable. The investment decision variable obtained a regression coefficient value of 0.004 and a p-value of 0.202; this value is greater than $\alpha = 0.05$ (0.202 > 0.05), which means it is not significant. Because the investment decision variable * EnDi is insignificantly positive and the investment decision variable is insignificantly positive, the EnDi variable is a type of moderating predictor. This shows that the probability of EnDi cannot moderate the effect of investment decisions on firm value, so the seventh hypothesis in this research is rejected. This result may indicate that the level of transparency of banking companies related to environmental aspects does not change the strength or direction of the influence of investment decisions on market perceptions. In other words, although the company has good environmental reporting practices, this does not make its investment decisions more or less influential on firm value.

Signaling theory assumes that environmental disclosure can strengthen the positive signal of investment decisions because it shows that the company is not only profit-oriented but also sustainability-oriented. Both investment decisions and environmental disclosures should be a form of management communication to investors. Investment decisions signal profit growth prospects, while environmental disclosures signal a commitment to sustainability. However, these findings suggest that sustainability signals do not strengthen the relationship between investment signals and perceived firm value. This could be due to the focus of investors in the banking sector, who value direct financial performance more than non-financial sustainability aspects. Although OJK

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regulation POJK 51/2017 requires sustainability reporting, many banks are still at the compliance-based reporting stage and not fully integrated with investment strategy. As a result, environmental disclosure has not become a significant differentiating factor in influencing market perceptions of investment decisions.

The results of this research are in line with the research of Arniati et al (2025), who found that environmental disclosure does not moderate the relationship between investment decisions and firm value in the financial sector because environmental reporting tends to be a formality and has not had a direct impact on market performance (Tutik et al., 2025). Putri et al (2025) also found that in Indonesian public companies, Environmental Disclosure has not been able to strengthen the influence of investment decisions on firm value due to the low utilization of sustainability information by investors (Putri & Amalia, 2024). The findings of Sudimas et al (2023) in the ASEAN banking sector also support this, where environmental disclosure is more valued by non-investor stakeholders such as regulators and NGOs than capital market investors (Sudimas et al., 2023).

Hypothesis Testing 8. Based on Table 7, the t-test significance value of the funding decision variable * EnDi, which is a test of the EnDi variable in moderating the effect of funding decisions on firm value, obtained a regression coefficient value of -0.135 and a p-value of 0.631, this value is greater than $\alpha = 0.05$ (0.631> 0.05), which means it is not significant. Because it is a test of moderating influence, these results need to be combined with the significance value of the funding decision variable. The funding decision variable obtained a regression coefficient value of 0.029 and a p-value of 0.831; this value is greater than $\alpha = 0.05$ (0.831 > 0.05), which means it is not significant. Because the funding decision variable * EnDi is negatively insignificant and the funding decision variable is positively insignificant, the EnDi variable is a type of moderating predictor. This shows that the probability of EnDi cannot moderate the effect of funding decisions on firm value, so the eighth hypothesis in this research is rejected. This result may indicate that the high transparency of companies in disclosing environmental performance does not change the strength or direction of the influence of funding decisions on market perceptions. In other words, whether low or high levels of environmental disclosure, the effect of funding decisions on firm value in the banking sector remains the same.

Funding decisions can be a signal for investors regarding the capital structure and financing strategy of the company. On the other hand, environmental disclosure is expected to provide additional signals about the company's sustainability commitment. However, these results suggest that the sustainability signal provided through environmental disclosure is not strong enough to influence the way the market assesses the relationship between funding structure and firm value. This could be due to the characteristics of the banking industry, which has strict regulations on capital ratios, so that sustainability information is not a major factor in assessing funding risk.

The results of this research are in line with the research of Hermawan et al (2025), which shows that Environmental Disclosure does not moderate the effect of capital structure on firm value in the financial sector because regulatory factors make capital structure variability relatively limited (Hermawan et al., 2025). Adhia et al (2025) also found that investors value direct financial performance more than environmental information in relation to funding decisions (Adhia & Paramita, 2025). In addition, Eka et al (2022) in the ASEAN banking sector concluded that environmental reporting plays more of a role in building corporate image than influencing investor perceptions of funding decisions (Eka et al., 2022).

Hypothesis Testing 9. Based on Table 8, the t-test significance value of the dividend policy variable * EnDi, which is a test of the EnDi variable in moderating the effect of dividend policy on firm value, obtained a regression coefficient value of 2.765, and a p-value of 0.529, this value is

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greater than α = 0.05 (0.529> 0.05), which means it is not significant. Because it is a test of moderating influence, these results need to be combined with the significance value of the Dividend policy variable. The dividend policy variable obtained a regression coefficient value of 1.087 and a p-value of 0.588; this value is greater than α = 0.05 (0.588 > 0.05), which means it is not significant. Because the dividend policy variable * EnDi is positively insignificant and the Dividend policy variable is positively insignificant, the EnDi variable is a type of moderating predictor. This shows that the probability of EnDi cannot moderate the effect of dividend policy on firm value, so the ninth hypothesis in this research is rejected. These results may indicate that the high transparency of environmental information disclosure does not change the strength or direction of the effect of dividend policy on market perception in banking companies on the IDX in 2023. In other words, whether low or high environmental disclosure, the effect of dividend policy on firm value remains relatively the same.

Dividend policy is often considered a positive signal that shows management's confidence in the stability and future profit prospects of the company. Meanwhile, environmental disclosure is expected to strengthen this signal by providing evidence of commitment to sustainability. However, the results of this research indicate that sustainability signals are not strong enough to increase the effect of dividend policy on firm value. This may be because investors in the banking sector prioritize immediate returns (dividends) over long-term non-financial information. Banks in Indonesia generally have a stable dividend policy, while sustainability reports containing environmental disclosures are often prepared for regulatory compliance (POJK 51/2017), rather than as a strategic marketing tool to investors. As a result, environmental disclosure has not been a reinforcing factor in the relationship between dividend policy and firm value in the eyes of the capital market.

The results of this research are in line with Arniati's research (2025), which shows that environmental disclosure does not moderate the effect of dividend policy on firm value in the financial sector because investors have not optimally utilized this information (Tutik et al., 2025). Ismillah et al (2023) also found that investors tend to respond directly to dividend policy without taking into account the level of environmental disclosure (Ismillah & Faisal, 2023).

CONCLUSION

This research can conclude that investment decisions and dividend policies have a positive effect on firm value, while funding decisions are not proven to have a significant effect. The moderating variables of institutional ownership and environmental disclosure do not show a significant role in strengthening or weakening the relationship between financial decisions and firm value. This finding confirms the relevance of signaling theory, especially regarding the role of investment decisions and dividend policy as indicators that can improve market perceptions of company performance, while funding decisions are not the main determining factor in the banking context. This research was funded by DPPM Warmadewa University in 2025, so it is expected to make a scientific contribution while supporting the development of research in the field of corporate governance and environmental disclosure. Future research can consider using a longer observation period, expanding the industry sector, and including more diverse Good Corporate Governance indicators and sustainability disclosures to gain a more comprehensive understanding of the dynamics of the determinants of firm value.

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