INDIKATOR
Jurnal Ilmiah Manajemen & Bisnis
Scientific Journal of Management & Business
Vol. 9 No. 2, April 2025
p-ISSN: 2598-6783
e-ISSN: 2598-4888

The Influence of Sustainability, Non-Performing Financing, and Capital Structure on Firm Value: Mediated by Financial Performance

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Article Information:

Keywords:
Keyword 1: Firm Value
Keyword 2: Sustainability Report Disclosure
Keyword 3: NPF
Keyword 4: Capital Structure
Keyword 5: ROA

Article History:
Received : February 16, 2025
Revised : March 10, 2025
Accepted : March 28, 2025

Cite This Article:

Oktaviani, D., & Kurniasih, A. (2025). The influence of sustainability, non-performing financing, and capital structure on firm value: Mediated by financial performance. *Indikator: Jurnal Ilmiah Manajemen dan Bisnis*, 9*(2)*,*21–35*. *doi:https://doi.org/10.22441/indikator.v9i2.32899*

Abstract in English

This research aims to examine the impact of Sustainability Report Disclosure (SRD), Non-Performing Financing (NPF), and Capital Structure on Firm Value, with Financial Performance acting as an intervening variable, in multifinance companies. The study focuses on multifinance companies listed on the Indonesia Stock Exchange (IDX) during the 2024 period. The sample consists of multifinance companies listed on the IDX from 2020 to 2023 that consistently publish annual sustainability reports. The results indicate that SRD has insignificant positive effect on firm value, while it has significant positive effect on financial performance. NPF has a significant negative effect on firm value but an insignificant negative effect on financial performance. DER has a significant negative effect on firm value but an insignificant positive effect on ROA. Furthermore, ROA does not mediate the impact of SRD, NPF, and DER on firm value.

INTRODUCTION

The multifinance industry in Indonesia plays a crucial role in providing financial access to various segments of society, including vehicle financing, consumer financing, and working capital financing (Financial Services Authority, 2023). However, the firm value of multifinance companies, measured by the Price-to-Book Value (PBV), has fluctuated in recent years. In 2019, PBV reached 2.53 but then experienced a sharp decline to 1.96 in 2020. Although there was a recovery in 2022 and 2023, the PBV of the multifinance industry has not yet returned to its 2019 level.

Firm value is one of the key indicators reflecting a company's financial performance. According to the Theory of the Firm, firm value represents shareholder wealth (Brigham & Houston, 2019). A high firm value attracts investors and enhances the confidence of fund providers (Sihombing et al., 2023). Additionally, firm value serves as a reference for investment decision-making, in line with Stakeholder Theory, which emphasizes the importance of companies creating sustainable long-term value by fulfilling the needs of stakeholders, including investors and shareholders (Hörisch et al., 2014).

Several factors influence firm value. Based on previous research findings, these factors include Sustainability Report Disclosure (SRD), Non-Performing Financing (NPF), and capital structure. The studies by Grishunin et al. (2022) and Swarnapali (2019) found that SRD has a significant positive effect on firm value, whereas Pamungkas & Meini (2023) and Mengko et al. (2022) found that SRD has a significant negative effect. Wiadnyani & Artini (2023) and

p-ISSN: 2598-6783
e-ISSN: 2598-4888

Farida & Siswanti (2020) found that NPF has a significant negative effect on firm value, while Meisitah (2017) found that NPF has no significant effect. Furthermore, Alghifari et al. (2022) found that capital structure has a significant positive effect on firm value, differing from Afridi et al. (2022), who found that capital structure has no significant effect.

The influence of these factors on firm value can be mediated by other variables. Studies by Arif & Handayani (2024), Ikhsan et al. (2022), and Natsir & Yusbardini (2020) highlight that financial performance, as measured by Return on Assets (ROA), serves as an intervening variable mediating the effect of SRD, NPF, and capital structure on firm value. Arif & Handayani (2024) examined the mediating role of ROA in the effect of SRD on the firm value of Indonesia's basic materials sector from 2018 to 2022. Ikhsan et al. (2022) investigated the mediating effect of ROA on the relationship between NPF and the firm value of banking companies listed on the Indonesia Stock Exchange (IDX) from 2016 to 2020. Meanwhile, Natsir & Yusbardini (2020) analyzed the mediating role of ROA in the effect of capital structure on the firm value of manufacturing companies in Indonesia from 2013 to 2017.

Based on the research gap identified from previous studies, this study aims to empirically examine the effect of SRD, NPF, and capital structure on the firm value of the multifinance sector, with financial performance as an intervening variable. This research is expected to provide a deeper understanding of the factors influencing firm value and their implications for the sustainability and long-term growth of multifinance companies.

LITERATURE REVIEW

The Effect of Sustainability Report Disclosure (SRD) on Firm Value

Stakeholder Theory explains that companies that disclose sustainability reports can build better relationships with stakeholders, ultimately enhancing firm value. Studies by Yasin et al. (2023), Hidayat & Kurniasih (2022), and Kusumawardani (2019) found that SRD has a significant positive effect on firm value. Therefore, the proposed hypothesis is:
H1: Sustainability Report Disclosure (SRD) has a positive effect on firm value.

The Effect of Non-Performing Financings (NPF) on Firm Value

According to Signaling Theory, companies with high NPF levels reflect poor credit risk, which can reduce profits, creditor trust, and corporate reputation (Atichasari et al., 2023). High NPF also negatively impacts interest income and company profits, ultimately affecting firm value (Nura et al., 2023). Studies by Wiadnyani & Artini (2023) and Farida & Siswanti (2020) found that NPF has a significant negative effect on firm value. Based on these findings, the proposed hypothesis is:
H2: Non-Performing Financing (NPF) has a negative effect on the firm value of multifinance companies.

The Effect of Capital Structure (DER) on Firm Value

Trade-Off Theory states that companies choose a combination of debt and equity to achieve an optimal firm value. Companies with high DER tend to face greater financial risk, as interest expenses and debt obligations limit financial flexibility and reduce investment capacity. This can decrease firm value, as investors tend to avoid high-risk companies. Studies by Santosa et al. (2022) and Jonathan & Purwaningsih (2023) found that capital structure has a significant negative effect on firm value. Based on these findings, the proposed hypothesis is:
H3: Capital Structure (DER) has a negative effect on the firm value of multifinance companies.

The Effect of Sustainability Report Disclosure (SRD) on Financial Performance

Based on Stakeholder Theory, effective sustainability report disclosure can enhance stakeholder trust and support, positively impacting a company's financial performance (Jadhav et al., 2020; Sari & Andreas, 2019). This trust influences investment decisions, as investors tend to perceive transparent and responsible companies as lower-risk, thereby attracting greater capital inflows and supporting long-term corporate growth. Studies by Rahardian & Hersugondo (2021) and Almeyda & Darmansya (2019) found that Sustainability Report Disclosure has a significant positive effect on firm performance. Therefore, the proposed hypothesis is:

H4: Sustainability Report Disclosure (SRD) has a positive effect on the financial performance of multifinance companies.

The Effect of Non-Performing Financings (NPF) on Financial Performance

In multifinance companies, effective management of Non-Performing Financing (NPF) is crucial for maintaining profitability. High NPF can reduce profitability by lowering interest income and damaging stakeholder trust, which in turn negatively affects the company's value. Research by Ainunnisa et al. (2024), Yasin et al. (2023), and Hidayat & Kurniasih (2022) demonstrates that NPF significantly negatively impacts Return on Assets (ROA), indicating a decline in profits due to problematic financing (Ishak & Pakaya, 2022). Based on these findings, the proposed hypothesis is:

H5: Non-Performing Financing (NPF) negatively affects the financial performance of multifinance companies

The Effect of Capital Structure (DER) on Financial Performance

The capital structure, measured by the Debt-to-Equity Ratio (DER), affects financial performance as measured by Return on Assets (ROA). According to the Trade-Off Theory, an increase in DER raises dependence on debt, which can reduce ROA and increase the risk of bankruptcy (Ai et al., 2021). Previous studies have shown that DER significantly negatively impacts financial performance (Santosa et al., 2022; Prakoso et al., 2022; Natsir & Yusbardini, 2020). Therefore, the proposed hypothesis is:

H6: Capital Structure negatively affects the company value of multifinance firms**.**

The Effect of Financial Performance on Firm Value

According to the Theory of the Firm, a company focuses on maximizing value for shareholders by increasing profitability (Murphy & Kelly, 2020). High profitability reflects the operational efficiency of a company in generating profit, which in turn can enhance investor confidence and increase the company's value. Previous studies by Kartikasari & Sihombing (2024); Himawan (2020), Maurien & Ardana (2019); Yoda et al. (2023); Hanifah (2023); Margono and Gantino (2021) show that profitability significantly positively affects company value. Based on these findings, the proposed hypothesis is:

H7: Financial performance positively affects the company value of multifinance firms.

Financial Performance as a Mediating Variable between SRD and Firm Value

The disclosure of a Sustainability Report reflects a company's commitment to sustainable practices that can enhance its reputation and stakeholder trust (Hörisch et al., 2014). Transparency in sustainability reporting has the potential to gain support from stakeholders and contribute to improved financial performance (Abdi et al., 2020). Strong financial performance, measured through profitability, can strengthen the positive impact of such disclosures on company value. Research by Lyan et al. (2021) and Yulianty & Nugrahanti (2020) shows that company performance mediates the effect of sustainability report disclosures in economic, environmental, and social aspects on company value. Based on these findings, the proposed hypothesis is:

H8: Financial performance mediates the effect of Sustainability Reporting Disclosure on the company value of multifinance firms.

Financial Performance as a Mediating Variable between NPF and Firm Value

Non-Performing Financing (NPF) is an indicator of credit quality and the risks faced by multifinance companies. A high NPF reflects a higher credit risk, which can reduce investor confidence and negatively affect financial performance (Himawan, 2020). However, strong financial performance can mitigate the negative impact of NPF on company value, as investors tend to appreciate companies that can effectively manage risk and demonstrate stable profitability. According to Signaling Theory, effective management of NPF acts as a positive signal to the market, indicating that the company can manage risks efficiently, which in turn boosts investor confidence and increases company value. Therefore, financial performance (ROA) serves as a link between NPF and company value, as companies that manage risks well tend to have better financial performance and higher company value. Research by Yasin et al. (2023) shows that Return on Assets (ROA) can mediate the effect between NPF and company value, as increased profitability reflected in ROA can reduce the negative impact of NPF on company value. Based on this reasoning, the proposed hypothesis is:

H9: Financial performance mediates the effect of Non-Performing Financing (NPF) on the company value of multifinance firms.

Financial Performance as a Mediating Variable between Capital Structure (DER) and Firm Value

According to the Trade-Off Theory, optimal debt usage can enhance company value by improving financial performance (Utami et al., 2023; Sabakodi & Andreas, 2024). A balanced Debt-to-Equity Ratio (DER) allows companies to leverage debt for profitable investments, increasing profitability, and ultimately boosting company value. Effective management of DER can improve efficiency and profitability, which in turn positively affects company value (Febriana & Triyono, 2024). Research by Natsir and Yusbardini (2020) shows that financial performance can mediate the effect of capital structure on company value. Based on this reasoning, the proposed hypothesis is:

H10: Financial performance mediates the effect of Capital Structure on the company value of multifinance firms.

Based on the description and hypotheses above, the conceptual framework of this research is as follows:

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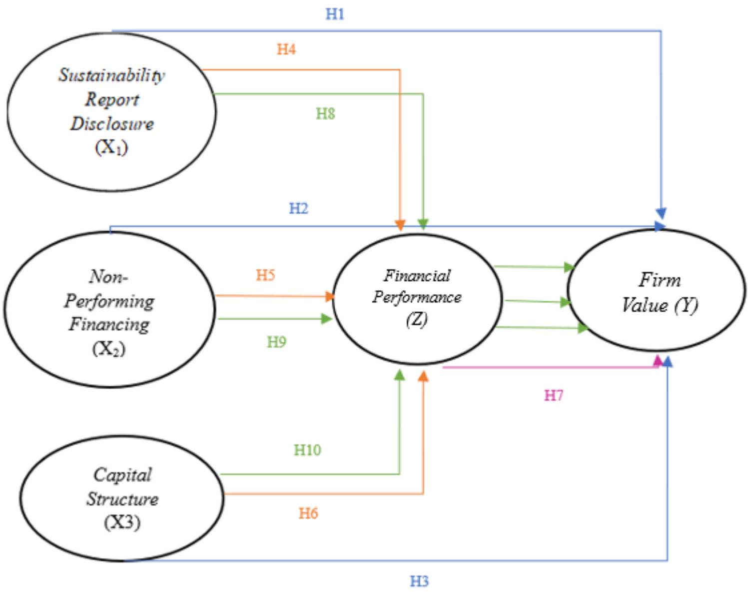
Jurnal Ilmiah Manajemen & Bisnis
Scientific Journal of Management & Business
Vol. 9 No. 2, April 2025
p-ISSN: 2598-6783
e-ISSN: 2598-4888

Figure 1. Framework



Source: Developed by the author

RESEARCH METHOD

This research is a quantitative study with a causal design, aiming to prove the effect of independent variables on the dependent variable (Sugiyono, 2018). The dependent variable in this study is company value, while the independent variables are Sustainability Report Disclosure, Non-Performing Financing (NPF), and capital structure. Financial performance is used as the intervening variable that is assumed to influence this relationship. The population of this study consists of multifinance companies listed on the Indonesia Stock Exchange (IDX) in 2024, with a total of 16 companies. The research sample is drawn using purposive sampling, based on the criteria presented in Table 1.

Table 1. Sample Selection Criteria

Criteria	Number of Companies
Multifinance companies listed on the Indonesia Stock Exchange in 2023	16
Multifinance companies continuously listed on the IDX from 2020 to 2023	15
Multifinance companies that issued a complete Sustainability Report in the period from 2020 to 2023	10
Total Sample	**10**

Source: Data collected by the author

The companies that fulfill the sample criteria are presented in Table 2. It can be seen that the majority of the companies in the sample were listed on the IDX in 1990, while the most recently listed company was registered in 2018.

Table 2. Research Sample

No.	Stock Code	Company Name	Listing Date
1	ADMF	Adira Dinamika Multi Finance Tbk	31-03-2004

2	BBLD	Buana Finance Tbk	07-05-1990
3	BFIN	BFI Finance Indonesia Tbk	16-05-1990
4	CFIN	Clipan Finance Indonesia Tbk	27-08-1990
5	MFIN	Mandala Multifinance Tbk	06-09-2005
6	WOMF	Wahana Ottomitra Multiartha Tbk	13-12-2004
7	IMJS	Indomobil Multi Jasa Tbk	10-12-2013
8	HDFA	Radana Bhaskara Finance Tbk	10-05-2011
9	POLA	Pool Advista Finance Tbk	08-11-2018
10	TIFA	KDB Tifa Finance Tbk	08-08-2011

Source: Data collected by the author

The data used in this study is secondary, annual, and includes both cross-sectional and time-series data. The data sources include financial reports, sustainability reports, and stock prices obtained from IDX, OJK, and company websites. Data collection was done through documentation techniques. The data was analyzed descriptively and inferentially. Descriptive analysis was used to explain the research object and variables, while inferential analysis was used to answer the research questions. Inferential analysis was conducted using path analysis with panel data regression. The tests were conducted using two models: Model I measures the effect of the independent variables (X1, X2, X3) on the intervening variable (Z), while Model II measures the effect of both the independent and intervening variables on the dependent variable (Y).

RESULTS AND DISCUSSION

Results

Descriptive statistics of the research variables show that the firm value of multifinance companies during the period 2019-2023 has a mean of 0.9758. This value is below 1, indicating that the market value of the company is lower than its book value. The minimum PBV value of 0.0759 is held by IMJS in 2023, while the maximum PBV value of 2.140 is held by BFIN in 2022, which indicates a high market valuation of the company.

Table 3. Descriptive Statistics of Research Variables

	PBV	SRD	NPF	DER	ROA
Mean	0.9758	0.2607	0.0221	1.7007	0.0204
Maximum	2.1361	0.5275	0.2914	3.9954	0.1003
Minimum	0.0759	0.0330	0.0000	0.0157	-0.1845

Source: Data processed by the author

The mean score for the Sustainability Report Disclosure (SRD) is 0.2607, which means companies disclose about 26.07% of the total 91 indicators that should be reported in the Sustainability Report (Global Reporting Initiative, 2021). The minimum SRD value of 0.0330 is held by PT Mandala Multifinance Tbk (MFIN), while the maximum value of 0.5275 is held by CFIN. The mean Non-Performing Financing (NPF) value is 2.21%. This value falls into the category of rating 1 according to OJK (<7%), indicating a low financing risk (Otoritas Jasa Keuangan, 2019). The highest NPF value of 0.2914 is held by POLA in 2020, while the minimum value of 0.000 is held by HDFA in 2022, which had no problematic financing in that year.

The mean Debt-to-Equity Ratio (DER) is 1.7007, which indicates that, on average, multifinance companies are in an unsolvable state, as for every 100 rupiah of equity, there are 170.07 rupiah of debt. The maximum DER value of 3.995 is held by HDFA, while the minimum value of 0.0157 is held by POLA.Return on Assets (ROA) has a mean value of 2.04%, indicating that for every 100 rupiah of assets, the company generates a net profit of 2.04 rupiah. The maximum ROA value of 10.03% is held by MFIN in 2022, while the minimum value of -18.45% is held by POLA in 2021. A negative ROA value indicates that the company incurred losses. The proof of the effect of independent variables on the dependent variable and the mediating role of the intervening variable was conducted using path analysis with panel data regression. The selection of the best regression model for Structure I and Structure II was performed using the Chow Test, Hausman Test, and LM Test, as shown in Table 4.

Table 4. Results of the Model Selection Test for Structure I and Structure II

Testing	Hypotesis	Structure I Result	Structure II Result
Chow Test	< 0.05 FEM > 0.05 CEM	0.0000 FEM	0.0000 FEM
Hausman Test	< 0.05 FEM > 0.05 REM	0.0275 FEM	0. 9518 REM
LM Test	< 0.05 REM > 0.05 CEM	-	0.0000 REM

Source: Data processed by the author

The test results indicate that the Fixed Effects Model (FEM) is the best model for Structure I, while the best model for Structure II is the Random Effects Model (REM). However, further attention to the coefficient of determination for Structure II reveals that FEM has a greater explanatory power, with an R^2 of 88.83% and an adjusted R^2 of 83.24%, compared to REM. Therefore, it is concluded that the best model for the equation in Structure II is FEM.

Table 5. Comparison of FEM and REM

REM		FEM	
R-squared	0.3207	R-squared	0.8883
Adjusted R-squared	0.2431	Adjusted R-squared	0.8324
F-statistic	4.1316	F-statistic	15.9046
Prob(F-statistic)	0.0076	Prob(F-statistic)	0.0000

Source: Data processed by the author

Next, classical regression assumption tests were performed on both regression equations. The results of these tests are presented in Table 6. It can be seen that all classical regression assumptions are met.

Table 6. Results of Classical Regression Assumption Tests for Structure I & II

Testing	Structure I Statistic Value	Structure I Conclusion	Structure II Statistic Value	Structure II Conclusion
Jarque-Bera Test	0.7733	Normal	0.4741	Normal
Pearson Product Moment	SRD↔NPF: -0.2064 SRD↔DER: 0.2747 NPF↔DER: -0.2175	No Multicollinearity	SRD↔NPF: - 0.2064 SRD↔DER: 0.2747 SRD↔ROA: 0.3310 NPF↔DER: -0.2175	No Multicollinearity

			NPF↔ROA: -0.3937 DER↔ROA: 0.1427	
Glesjer Test	0.0898	No Heteroscedasticity	0. 5372	No Heteroscedasticity

Source: Data processed by the author

Table 7. shows that both Structure I and Structure II are appropriate models because the probability values for the F-Test are less than 0.005. Together, SRD, NPF, and DER have an effect on ROA with an explanatory power of 56.76%. Furthermore, SRD, NPF, DER, and ROA together have an effect on PBV, with an explanatory power of 83.24%.

Table 7. Regression Test and Normality Test Results for Structure I and Structure II

Variable	Structure I		Structure II	
	Coef. Reg.	Sig.	Coef. Reg.	Sig.
SRD	0.1588	0.0288	0.3552	0.5125
NPF	-0.1808	0.2358	-2.7121	0.0194
DER	0.0156	0.2354	-0.2019	0.0411
ROA			-2.1279	0.1320
Adjusted R squared	0.5676		0.8324	
F statistic	5.267	0.0002	15.9046	0.0000

Source: Data processed by the author

Based on Table 7, the regression equation for Structure I is:

$ROA = 0.1588SRD - 0.1808NPF + 0.0156(DER)$ …………….. (Eq. 1)

Partially, SRD has a positive and significant effect on ROA (p = 0.0288). If SRD increases, ROA will increase. NPF has a negative effect, but it is not significant (p = 0.2358). DER has a positive effect, but it is also not significant (p = 0.2354).

The regression equation for Structure II is:

$PBV = 0{,}3552(SRD) - 2{,}7121(NPF) - 0{,}2019(DER) - 2{,}1279(ROA)$ ….. (Eq. 2)

Partially, NPF has a significant negative effect on firm value (p = 0.0194). Similarly, DER has a significant negative effect on firm value (p = 0.0411). If either NPF or DER increases, the firm's value will decrease. On the other hand, SRD and ROA have no significant effect on firm value (p > 0.05). The variable with the greatest effect on firm value is NPF.

Table 8. Results of the Direct and Indirect Effects of Independent Variables on the Dependent Variable through the Mediating Variable

Variable Relationship	Direct Effect	Indirect Effect	Total Effect	Sobel Test Result
SRDROA	*1=0.0288*	-	*1=0.0288*	
NPFROA	*2=0.2358*	-	*2=0.2358*	
DERROA	*3=0.2354*	-	*3=0.2354*	
ROAPBV	*4=0.1320*	-	*4=0.1320*	
SRDROAPBV	*5=0.5125*	*51=0.0148*	*5+51=0.5273*	$t_{statistic}$ -1.2904 No Mediation
NPFROAPBV	*6=0.0194*	*62=0.0046*	*6+62=0.0024*	$t_{statistic}$ 0.9563 No Mediation
DERROAPBV	*7=0.0411*	*73=0.0097*	*7+(β73)=0.0508*	$t_{statistic}$ -0.9561 No Mediation

Source: Data processed by the author

Table 8 shows that SRD, NPF, and DER have a direct effect on ROA, indicated by the regression coefficient values of each (β1 = 0.0288, β2 = 0.2358, and β3 = 0.2354). Furthermore, ROA also has a direct effect on PBV (β4 = 0.1320).

The indirect effects of SRD, NPF, and DER on PBV through ROA show relatively small coefficient values (0.0148, 0.0046, and 0.0097). The Sobel test results indicate that the t-value for all mediating roles of ROA is below the critical value of t-table (2.0281). It can be concluded that ROA does not function as a mediator in the influence of SRD, NPF, and DER on PBV.

Discussion

The research findings indicate that SRD does not significantly affect the firm value (PBV) of the multifinance sector in Indonesia. Despite the relatively high level of SRD disclosure, investors do not seem to pay attention to or prioritize sustainability information. Another possibility is that investors do not respond immediately to sustainability information. There may be a time lag between the release of sustainability reports and investors' assessments of company stocks. These findings support previous studies suggesting that SRD does not have a significant impact on firm value, especially in emerging markets like Indonesia, where institutional investors and in-depth understanding of ESG factors are still limited (Hardianti et al., 2022; Sembiring & Hardiyanti, 2020).

The study also reveals that NPF has a significant negative impact on the PBV of multifinance companies in Indonesia. A high NPF level reflects asset quality issues, leading to a decrease in the value of assets and the company’s book value. The company's obligation to create provisions for impaired assets results in a reduction in the total reported assets. These factors lower investor assessments of stocks, thereby decreasing PBV. According to signaling theory, a high NPF sends a negative signal to investors, lowering expectations about the company’s future performance. This increases the perception of risk and uncertainty, ultimately leading to a decline in stock prices and PBV. These findings support research by Yasin et al. (2023) and Wiadnyani & Artini (2023), which also found a significant negative impact of NPF on PBV in financial institutions in Indonesia between 2013-2021.

Furthermore, this study finds that DER has a significant negative effect on PBV in the multifinance sector in Indonesia. This suggests that a higher debt-to-equity ratio reduces the perceived value of the company among investors. Increased debt exposure heightens the company’s financial risk. As debt rises and surpasses its optimal point, the potential for bankruptcy increases. These findings align with trade-off theory, which posits that excessive debt heightens bankruptcy risk and reduces firm value. This research supports studies by Roy and Bandopadhyay (2022) and Santosa et al. (2022), which found that higher DER contributes to a decline in PBV.

The findings of this study indicate that SRD has a positive and significant impact on ROA, suggesting that multifinance companies in Indonesia that disclose SRD tend to achieve better operational efficiency. According to Stakeholder Theory, this disclosure aligns with stakeholder expectations as it encourages better management practices. By focusing on sustainability, companies can optimize resource use and implement more efficient processes, which contribute to improved financial performance. These findings support research by Carvajal and Nadeem (2023), which found that SRD had a positive significant impact on financial performance in companies listed on the New Zealand Stock Exchange. They discovered that sustainability reports, especially those containing material financial information, could enhance company performance. Similar findings were reported by Yasin et al. (2023), who noted that high levels of sustainability disclosure led to reduced capital costs and improved operational efficiency in commercial banks in Indonesia from 2013 to 2021. The OJK's emphasis on sustainability, when effectively implemented by companies, will drive stronger operational performance.

Furthermore, the study found that NPF does not have a significant impact on ROA in the multifinance sector in Indonesia. This result contradicts the common understanding that an increase in NPF would reduce profitability. It is expected that high NPF levels could reduce profitability due to increased costs for managing non-performing loans and the loss of interest income. However, it seems that multifinance companies have implemented effective mitigation strategies, such as maintaining adequate credit loss provisions, which help cushion the impact of NPF on ROA. Additionally, the company's compliance with OJK regulations, including keeping NPF levels below 5%, shows that the company is able to manage credit quality effectively, thus maintaining financial performance. Multifinance companies strive to balance risk and profitability by carefully managing some credit risks and implementing strong policies to mitigate the impact of problematic financing. The success of companies in keeping NPF under control sends a positive signal to stakeholders that the company has good risk governance. According to Signaling Theory, this effective risk management reflects the company's credibility in maintaining financial performance, so NPF does not significantly affect ROA. This suggests that companies are able to maintain profitability stability while instilling confidence in investors and business partners about their operational sustainability. These findings are consistent with research by Prayoga et al. (2020) and Budyastuti (2022), which found that NPF negatively but insignificantly affected ROA. Tight credit management can prevent profitability decline even with high NPF levels.

This study found that the Debt-to-Equity Ratio (DER) does not significantly affect financial performance (ROA) in multifinance companies. If the company can manage its debt well, its profits remain unaffected. Effective debt management means that interest costs do not overly burden the company, so leverage does not significantly affect profitability. These findings support previous research by Hertina et al. (2021) in the F&B industry from 2014-2018, Ramadhan (2022) in the automotive industry from 2016-2020, and Supyati et al. (2024) in the manufacturing industry from 2020-2022 in Indonesia, which also found that DER does not significantly affect ROA.

Furthermore, the study found that financial performance (ROA) does not significantly affect company value (PBV) in multifinance companies in Indonesia. ROA reflects the effectiveness of a company in generating profits from the use of its assets. However, this does not necessarily reflect the market value of the company or the market's perception of its growth potential. On the other hand, PBV is a ratio that compares the market price of shares to the book value of the company. PBV focuses more on the company's equity and assets, not on short-term operational performance like profitability. Previous research by Hapsoro & Falih (2020) and Sari (2020) also found that ROA does not significantly affect PBV because investors focus more on indicators that reflect long-term stability and risks, such as DER and NPF. OJK regulations related to NPF and DER provide greater guidance for investors in assessing companies in the multifinance sector in Indonesia.

This study also found that ROA does not mediate the effect of SRD on PBV. SRD enhances operational efficiency and the internal financial performance of a company, but its impact on market valuation is limited. This is consistent with the research by Anna & Dwi (2019) and Sholikhah & Khusnah (2020), which found that SRD does not significantly affect company value in non-financial companies. While companies implementing sustainability practices experience improved financial performance, their effects on market value are influenced by external factors that are not directly related to profitability.

The study found that Return on Assets (ROA) does not mediate the effect of Non-Performing Financing (NPF) on Price-to-Book Value (PBV). This finding is consistent with research by Latifah and Esy (2024) and Deccasari et al. (2023) on banks listed on the Indonesia Stock Exchange. NPF is more of a risk indicator, focusing on the potential loss from loans. However, proactive asset and liability management allows the company to maintain its ROA even with an increase in NPF.

The study also concluded that ROA does not mediate the effect of Debt-to-Equity Ratio (DER) on PBV. This is in line with the findings of Prakoso et al. (2022) and Suardy et al. (2023) in property and real estate companies, as well as Alghifari et al. (2022) in the diversified industry sector listed on the IDX from 2016-2020. These researchers also found that ROA does not mediate the effect of DER on company value.

CONCLUSION

This study indicates that NPF and DER have a significant negative effect on company value (PBV) in the multifinance sector in Indonesia. A high NPF reflects poor asset quality and increases financial risk, which leads to a decrease in PBV. Meanwhile, a high DER signals the company’s exposure to financial risk, which can affect the company’s stability and reduce investor interest, thus lowering PBV. Furthermore, Sustainability Report Disclosure (SRD) was found to have a significant positive effect on financial performance (ROA), indicating that sustainability disclosures encourage operational efficiency and improve profitability. However, SRD and ROA do not have a significant effect on PBV, and ROA is not able to mediate the effect of SRD, NPF, or DER on PBV.

Multifinance companies looking to increase their stock value need to pay attention to managing NPF and DER. Both variables have a significant negative effect on company value. Management should ensure that credit risk is properly managed and that the debt structure is optimal to maintain positive investor perception. Investors and potential investors focused on short-term performance (profitability) should pay attention to the company's sustainability report disclosures. The better the disclosure, the higher the profitability. If investors wish for an increase in stock value, they need to monitor NPF and DER closely, as higher values of both variables can lead to a decrease in company value.

For future researchers, this model can be used to conduct studies on companies in other sectors. As profitability measured by ROA does not significantly affect company value and cannot serve as an intervening variable, future research might consider using other measures such as Return on Equity (ROE). Future studies could also explore other intervening variables such as growth prospects, company reputation, risk management, and market conditions, as market value is often influenced by these factors.

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e-ISSN: 2598-4888

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