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COMPANY VALUE IMPACT FUNDING DECISIONS, INVESTMENT DECISIONS AND DIVIDEND POLICY

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ABSTRACT

This study discusses decision making, investment decisions and dividend policy on company value in industrial goods manufacturing companies listed on the Stock Exchange in the period 2014-2018. The method used in this research is a quantitative descriptive method and unit of analysis is carried out on manufacturing companies in the consumer goods industry sector which are listed on the Stock Exchange in the period from 2014 to 2018 with a sample of 15 companies. The results of the study simultaneously show funding decisions, investment decisions and dividend policies have a significant effect on firm value. The results of the research partially show that funding decisions have no significant effect on firm value, investment decisions have a significant effect on firm value and dividend policy has a significant effect on firm value.

Keywords: Company Value, Funding Decisions, Investment Decisions, Dividend Policy

INTRODUCTION

Company management in maximizing its value, must be able to make three financial decisions namely investment decision, financing decision and dividend policy. Financial decisions can increase company value if properly optimized. The higher value of the company, greater welfare be received by company owners and shareholders. The performance of the manufacturing industry against national GDP continues to decline, even though the manufacturing industry is a mainstay of the economic sector, especially export-oriented industries that can absorb labor. One of the causes of the decline in the manufacturing industry is the decline in purchasing power. This condition has an impact on the decline in financial performance on the value of large consumer companies and the weakening of the country's economy. Performance of manufacturing industry in 2015 reached Rp.2,097.71 trillion or contributed 18.18% of the national GDP to be the best performance compared to

2014 which contributed 17.89%. Bank Indonesia data until 2018 The decline in consumer purchasing power and restrained consumption can be seen from the growth rate of the Retail Sales Index, which has decreased, resulting in a decline in manufacturing industry GDP which dropped 4.27% in 2018. The growth of the Indonesian Manufacturing Industry has declined from year to year. Data from the Central Statistics Agency (BPS) shows that the level of public consumption in 2014 was the largest of 5.61, despite a decline in 2015 the level of public consumption was still able to grow by 5.05%. The growth in the level of public consumption continues to decline to 4.43% (2016), then dropped 4.29% (2017) to 4.27% in 2018. This results in the economy not growing optimally from slowing growth in the consumption sector industry. Funding decisions also play an important role in maximizing company value. Funding decisions are financial management decisions to obtain funds. Sources of corporate funding can come from shares and retained earnings and depreciation (internal financial) and liabilities and equity (external financial). This is the company's consideration, because with a good and right funding decision, it will produce good corporate value. The higher the DER, the lower the company's value. This means that the company is financed in large part by debt compared to its own profit. However, the DER, higher supported by Apriyanti (2011) research results that the DER value which is conflict with Yusralaini's results. The highest average DER in 2015 was 97% while the lowest DER occurred in 2017 at 77%. The DER value obtained in 2015 is in accordance with the theory that the DER is high and the PBV is low and in accordance Yusralaini (2009), companies use more external and internal funding sources. In 2017 obtaining a Debt Equity Ratio (DER) is not in accordance with the theory of Apriyanti (2011), showing that companies use less external funding sources and more internal funding sources. Efforts to increase company value can be realized by companies by making good investment decisions and good funding decisions (Brealy, et al 2006: 4). In making investment decision steps, companies must be careful because if the decisions made are not correct it will have a detrimental impact on the company. To fund various investment alternatives, the company must determine the optimal source of funding in order to maximize the includes blue chips the capital market. Research on company value conducted by Nurhayati (2013) the variable, while dividend policy. This contradicts research conducted by Wijaya and Wibawa (2010), where investment decisions, funding company value. Septia (2015) said the dividend payout ratio a negative and insignificant effect on the value of companies that support Nurhayati's (2013) research. Where distributing profits can increase the value of the company.

LITERATURE REVIEW

Effect Funding Decisions on Company Value

Funding decision main responsibility the financial manager whose job is to raise funds needed by the company for investment and operations. The efficient allocation of funds is the duty of the company in investing funds in assets that can provide maximum benefits main objectives, maximizing increasing welfare of shareholders, as seen from the price of shares and dividends distributed. Funding decisions will a positive effect the company, if debt proportion increases the available operational funds increase, if the debt can be managed well, it can increase the company's profits so that the company's performance high. If the company's performance is high, so that the company's value will also increase. Results of Yulia (2012), Muhammad (2013) and Rury (2013), provide the results that funding decisions positive effect value the company, because funding decisions use funding through more equity than using

funding through debt and funding decisions can reduce company risk .This means that funding decisions can produce benefits greater than losses arising from these decisions, thereby increasing the value of the company. Umi (2012) ,Oktavina (2013), provide results that funding decisions significant effect firm value. Means that level of DER in a company does not affect the firm's value.

Effect Investment Decisions on Company Value

Investment decisions made by the company will determine the benefits of the company and company performance in the future.A high level of corporate investment will increase investor confidence in the company because investment growth can be perceived as good news for investors.Investment decisions will the company if the company can allocate its funds appropriately in various supporting company assets, so that it will bring benefits in the future and increase the value of the company.Research by Yulia (2012), Oktavina (2013), and Muhammad (2013), investment decisions a significant positive effect firm value. This indicates the company's capital expenditure to increase the value of the company because it gives a positive signal so that the company is able to maximize the company's ability investment to increase value company. Zulin's research results (2012) states that investment policy has a negative coefficient and does not have significant effect firm value. Means a high investment financed by debt will result in high risk thereby reducing investor confidence and can reduce the price of shares resulting in declining company value.

Effect Dividend Policy on Company Value

Dividend policy a decision about paying or not paying dividends to shareholders, so that investors their investment or investor funds will move to another place.The proportion of profit distributed to shareholders aims to increase the wealth and performance of shareholders which will maximize the value of the company.Dividend policy will have a positive effect if the dividends distributed are high and the price of the shares will increase. Dividend policy will have a negative effect if the profits derived by the company are mostly distributed in the form of dividends, then it is likely to reduce retained earnings as additional funds for corporate financing in the future so that further profits will decline and the value of the company will decline. Zulin's research results (2012), Muhammad (2013), and Oktavina (2013), that dividend policy significant positive effect on the value company, this shows if company plans to distribute its profits shareholders in the dividends rather than holding, then investors will invest their funds in companies that share profits consistently and the value of the company increases.Yulia's (2012) and Umi's (2012) research significantly either directly or indirectly. This means that the dividend policy only changes the timing of dividend payments in such a way that the total cash flow that will be received in the future will not change.

Research Hypothesis

- H1:Funding decisions affect the value of the company
- H2: Investment Decisions have a significant effect on company value
- H3: Dividend policy affects the value of the company.

Sample Selection Criteria:

1. Consumer goods industrial year 2014-2018 period.

2. Consumer goods industrial companies that survived the 2014-2018 research period.
3. Companies that distribute dividends during 2012-2018.

RESEARCH AND DISCUSSION

Result of Estimated Regression Panel for Fixed Effect Model

Dependent Variable: PBV

Method: Pooled EGLS (Cross-section weights)

Date: 05/31/20 Time: 12:57

Sample: 2014 2018

Included observations: 5

Cross-sections included: 15

Total pool (balanced) observations: 75

Linear estimation after one-step weighting matrix

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.661012	0.055098	11.99703	0.0000
DER	0.001845	0.001563	1.180234	0.2428
PER	-0.003440	0.048287	-0.071236	0.9435
DPR	0.014089	0.004215	3.342605	0.0015

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.908245	Mean dependent var	11.07267
Adjusted R-squared	0.880879	S.D. dependent var	15.15857
S.E. of regression	5.231805	Akaike info criterion	6.352953
Sum squared resid	1560.192	Schwarz criterion	6.909150
Log likelihood	-220.2357	Hannan-Quinn criter.	6.575036
F-statistic	33.18937	Durbin-Watson stat	3.021779
Prob(F-statistic)	0.000000		

Source: Data Processing Results (2020)

Regression Equation

$$PBV = 0,5509 + 0,1845DER - 0,03440PER + 0,14089DPR$$

1. A constant value of 0.5509 indicates the average PBV if DER, PER and DPR are simultaneously 0
2. Regression coefficient for DER of 0.01845 with a coefficient marked positive which indicates every increase in the value of DER and other independent variables is constant, it is predicted to increase the PBV value of the company by 0.01845.
3. PER of -0.03440 with a coefficient marked negative which shows every increase in the value of PER and other independent variables constant, is predicted to reduce the PBV value of the company by 0.003440.
4. The DPR is 0.14089 with a coefficient marked positive which shows that every increase in the value of the DPR and other independent variables is constant, it is predicted to increase the PBV value of the company by 0.14089.

RESEARCH DISCUSSION

Effects of Funding Decisions, Investment Decisions, and Dividend Policies on Company Value

Variable funding decisions, investment decisions, and dividend policies show the value f_{hitung} 33,189 is greater than 3,13 (F_{tabel}) ($33,189 > 3,13$), meaning that funding decisions, investment decisions, and dividend policies affect the value of the company. This means the company is able to maximize the value of the company well. The company's decision in managing the company's debt well is able to generate large profits so as to increase the value of the company. The value of Price Earning Ratio (investment decisions) owned by the company can be considered good. The company funds various investment alternatives and determines the source of funds optimally in order to maximize the value of the company.

Effect of Funding Decisions on Company Value

The funding decision shows t_{hitung} of 1,180 smaller than 1,993 ($1,180 \leq 1,993$), meaning the funding decision has no influence on the value of the company. The results of this study are consistent with the research of Oktavina Tiara Sari (2013) which states that funding decisions do not have a significant effect on firm value. This is due to the fact that the company has too high debt and is not well managed, causing higher interest costs and lower profits so investors are not interested in buying company shares. The results of this study contradict the research conducted by Suroto (2015) which states that funding decisions have a positive and significant effect on firm value.

Effect of Investment Decisions on Company Value

Investment decisions show t_{hitung} of -0,071 greater than -1.993 ($-0.071 \geq -1.993$), meaning that investment decisions have an influence on the value of the company. Accordance Oktavina Tiara Sari (2013) which states that investment decisions affect company value. That is because the right decision made by a manager in making investment decisions will create an increase in value to the company. The results of this study contradict the research conducted by Zulin (2012) which states that investment policy has a negative coefficient and does not have a significant effect on firm value.

The Effect of Dividend Policy on Company Value

The dividend policy variable shows t_{hitung} of 3.343 greater than 1.993 ($3.343 \geq 1.993$), meaning the dividend policy has an influence on the value of the company. The results of this study are consistent with research conducted by Zulin (2012) and Oktavina (2013), which states that dividend policy has a significant positive effect on firm value. This shows the company plans to distribute profits to shareholders in the form of dividends rather than holding it in the form of capital gains so that investors will invest funds in companies that distribute profits consistently and the value of the company increases. Contradict the research of Yulia (2012) and Umi (2012), meaning that the dividend policy only changes the timing of dividend payments so that future cash flow receipts do not change.

CONCLUSION

1. Funding decisions, investment decisions, and dividend policies affect the value of the company.

2. Funding decisions have no influence on the value of the company.
3. Investment decisions have an influence on the value of the company
4. Dividend policy has an influence on the value of the company

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