

# The Impact of Investment Decisions, Funding Decisions, and Dividend Policy on The Valuation of Manufacturing Companies Listed on The IDX

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Article History	Submitted	Revised	Accepted
	2024-02-28	2024-05-04	2024-05-06

## *Abstract*

This study examines the impact of investment decisions, funding deThis study examines the effects of investment decisions, funding decisions, and dividend policies on the value of manufacturing businesses listed on the IDX stock exchange. This study employs a quantitative research methodology with a descriptive approach. The research sample consisted of 127 manufacturing businesses listed on the Indonesia Stock Exchange between 2017 and 2020. The research employed the purposive sampling approach as its sampling strategy. The data included in this study is derived from secondary sources. This research used the SPSS Statistics version 26 program for data analysis, with multiple regression analysis as the chosen analytical tool. The research findings indicate that investment decisions do not have any impact on the value of the firm, however funding decisions and dividend policies have a positive influence on the company's value.

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



## INTRODUCTION

The goal of a company in the long term, The objective of the Theory of the Firm states that the goal is to maximize wealth or the worth of a corporation (value of the firm) (Tridewi, 2015). Shareholder value is directly linked to the company's worth, which is determined by generating high investment returns for shareholders (Astriani, 2014). One of the company's goals is to optimize company value. The company's high value will also increase shareholders' prosperity, which can be measured by the company's share price on the capital market. Companies generally try to achieve goals, both short term and maximizing company profits or long term, increasing company value and improving the welfare of shareholders (Sintyana & Artini, 2019).

The firms listed on the Indonesian Stock Exchange represent diverse sectors (IDX); one is the manufacturing sector, which makes raw materials into finished products ready to be sold (Novitasari, Sodik, & Hartini, 2023). Manufacturing companies were chosen as research objects because the number of manufacturing companies is more significant than other companies. Another reason for choosing manufacturing companies as the object of this research is that manufacturing company shares are more popular with investors than other companies (Gede, Yudistira, Putu, Mendra, & Saitri, 2021).

The current state of the economy has resulted in increased rivalry amongst businesses operating within the sector. The expansion of the value of the firm is the primary objective of the companies that have gone public, to enhance the financial well-being of the owners or shareholders. A fundamental reason why the value of a company is significant is that it represents the firm's success, which may affect how investors perceive the organization. The worth of a firm can be used to characterize the state of the establishment. When a firm has a high value, it indicates that future investors will have a positive impression of the company and vice versa. If there is a high return on investment to shareholders, then the firm's value will also improve, which will lead to an increase in the shareholders value. The firm's financial management needs to be vigilant in selecting the appropriate capital structure that may be utilized to improve the company's value and reduce the impact of these challenges (Zhafiira & Andayani, 2019).

A phenomenon related to company value quoted from (investors.kontan.co.id) covered by Qolbi and edited by Wahyu on April 14 2020. As of April 3, 2020, according to statistics provided by the Financial Services Authority, the average daily share transaction value on The Indonesian Stock Exchange (IDX) during the entire year of 2020 was just IDR 6.96 trillion. This sum has been adjusted by 28 per cent compared to the average daily transaction value of the preceding year, which reached IDR 9.67 trillion as of April 5, 2019, and this figure has been fixed. Meanwhile, during the same period, the average daily transaction volume on the IDX was 7.39 billion share units over the entirety of 2020, representing a 44 per cent decrease. A daily average of 14.5 billion shares was the volume of transactions in the preceding year.

The COVID-19 virus, spreading globally, has significantly impacted the manufacturing sector because it disrupts imports and exports. Moreover, industries that use imported raw materials are also under pressure from the weakening rupiah exchange rate. The composite stock price index in 2017 reached the level of 6,355.65, in 2018 at the level of 6,194.5, in 2019 at the level of 6,299.54 while when Covid-19 attacked, the composite stock price index fell to its nadir below the

4000 level in the last week March 2020. At the end of April 2020, the JCI stabilised at the 4500 level and gradually rose to around 6000 at the end of December 2020. Trading volume is the number of buying and selling activities on the shares at a particular time. Stocks with large trading volumes can be concluded to have very active stock transactions because there is a lot of investor interest.

## **LITERATURE REVIEW**

### *Signalling Theory*

Signal Theory refers to the strategic activities taken by a firm to communicate its management's perspective on the company to investors (Brigham & Houston, 2019). The capital market becomes efficient when it can react quickly and accurately to achieve the latest price balance, which can reflect the available information. Situations that influence the capital market essentially contain information. The capital market provides and re-manages information that investors will later use when making investment decisions. In this way, investors will try to collect information so that it is complete and accurate. The market's efficient ability to receive information that occurs is also explained in Signal Theory. This theory explains that signals that emerge from information, whether originating from external companies (in the form of government policies, inflation, natural disasters, etc.) or internal companies (in the form of corporate actions other management policies), will directly provide influence on price movements of related companies (Suganda, 2018).

### **The value of the company**

Company value refers to the particular state a business has attained to demonstrate the public's confidence in the firm. This is obtained by a series of actions conducted over several years, from the company's establishment to the present. A firm's valuation may be determined by the quantity of shares it possesses (Rianti, Putra, Manuari, & Wedasari, 2021).

Firm value refers to investors' opinion of a firm, which is commonly associated with the company's share prices. Elevated stock prices correspondingly increase the valuation of the firm. Firm owners also desire this outcome since a high valuation signifies elevated shareholder profitability (Soliha & Taswan, 2002).

### **Investation decision**

A firm strategically allocates its cash by investing in certain assets to generate future profits (Nahdirroh, 2013). According to Jogiyanto (2003) Investment is the postponement of current consumption to be used in efficient production over a certain period, whereas Tandelilin (2001) It is stated that investment is a commitment of a certain amount of funds or other resources made now to obtain future profits.

### **Funding Decisions**

Funding decisions can be seen as decisions that pertain to the arrangement of financial resources. The company's economic structure comprises funding decisions encompassing short-term debt, long-term debt, and equity capital. The company's financial structure frequently undergoes

modifications as a result of the company's investments. Funding decisions are influenced by external factors, affecting the economic performance achieved and determining dividend policy. Asset management decisions concern the efficient operation of various types of assets, namely current asset components and all kinds of fixed assets, to obtain maximum net profit (Darminto, 2008).

### Dividend Policy

One of the returns that shareholders will receive is dividends. Dividends are payments made to shareholders of a corporation in the form of cash, other assets, letters or other documents declaring the firm's debts and shares. Dividends are distributed to shareholders in proportion to the number of shares owned by the owner. Dividends are part of the profit paid by a company. Dividend announcements are one piece of information that the market will respond to.

## METHOD

### Types of research

The research used is quantitative. Quantitative research methods are a type of research whose specifications are systematic, clearly designed and structured from the beginning to the preparation of the research strategy (Sekaran & Bougie, 2016). The information utilized in this study is secondary data. Primary sources of information consist of yearly reports published by publicly traded manufacturing corporations between 2017 and 2020. Quantitative data, specifically data represented numerically, is the information utilized.

### Population and Sample

The study's population comprises all corporations publicly traded on the indonesia stock exchange during 2017 (568 companies), 2018 (619 companies), 2019 (668 companies) and 2020 (709 companies). The sampling technique employed in this study was referred to as purposive sampling.

**Table 1.** Sample Selection Process

No	Criteria	Total
1	Manufacturing businesses listed on the Indonesia Stock Exchange between 2017 to 2020.	181
2	Manufacturing businesses with incomplete financial reporting from 2017 to 2020.	49
3	Manufacturing businesses that were removed from the official list of companies over the period from 2017 to 2020.	5
<b>Total Sample</b>		<b>127</b>

Source: Data processing, 2024

### Method of collecting data

The data collection technique employed secondary data documentation, including financial reports of manufacturing enterprises issued by the indonesia stock exchange from 2017 to 2020.

## Data analysis method

### *Multiple Regression Analysis*

Multiple regression is a regression model with more than one independent variable. According to (Ghozali & Latan, 2019), Multiple regression analysis can be used to determine the extent and magnitude of the influence of one variable on other variables.

The t-test is used to evaluate hypotheses partially and helps show each independent variable's influence on each dependent variable individually.

The t-test evaluates the impact of the independent variable on the dependent variable by comparing the regression coefficient of each independent variable with the dependent variable. The F test evaluates the combined influence of all independent factors on the dependent variable in a regression analysis. Afterwards, compare the calculated F value and the F table. If the F statistic is greater than the critical value from the F distribution table, it indicates that the independent variable significantly affects the dependent variable.

The coefficient of determination ( $R^2$ ) measures the degree to which the model can accurately represent the variability in the dependent variable. The coefficient of determination varies between zero and one. A low  $R^2$  value indicates that the independent variable cannot explain the changes in the dependent variable. As the value of an independent variable approaches one, it signifies a significant amount of knowledge that may be used to predict the dependent variable reliably.

## ANALYSIS AND DISCUSSION

### Descriptive Analysis Results

An examination of the influence that investment decisions, funding decisions, and dividend policies have on the value of a company is carried out through the utilization of multiple regression analysis.

**Table 2.** Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardize d Coefficients	t	Sig	Keterangan
	B	Std. Error	Beta			
(Constant)	1.352	0.137		9.879	0.000	
<i>Total Asset Growth</i>	-0.453	0.336	-0.075	-1.349	0.178	Not significant
<i>Debt to Equity Ratio</i>	0.105	0.072	0.083	1.472	0.142	Significant
<i>Dividend Per Share</i>	0.019	0.007	0.148	2.645	0.009	Significant
a. Dependent Variable = <i>Tobin's Q</i>						
b. N	= 236					
c. <i>Adj R<sup>2</sup></i>	= 0.021					
d. <i>F<sub>hitung</sub></i>	= 3.281					
e. <i>F Sig</i>	= 0.021					

Source: Data processing, 2024

Based on the results of multiple regression analysis, the regression equation in this study is as follows:

$$Y = 1.352 - 0.453 X_1 + 0.105 X_2 + 0.019 X_3 + e$$

### **Simultaneous Test (F Test)**

The F test obtained from the results of multiple regression analysis was 0.021. The F value (0.021) is smaller than 0.05, meaning the regression equation model meets Goodness of Fit.

### **Coefficient of Determination (R<sup>2</sup>)**

The Adjusted R<sup>2</sup> value of 0.021 shows that investment decisions, funding decisions and dividend policy on company value can explain changes in share prices of 0.021 or 2.1%, while other variables explain the remaining 97.9%.

### **Uji t**

The regression coefficient is -0.075 with a  $t_{count}$  value of -1.349 and a significance level of t of  $0.178 > 0.05$ , which shows that investment decisions do not affect company value.

The regression coefficient is 0.083 with a  $t_{count}$  value of 1.472 and a significance level of t of  $0.142 < 0.05$ ; this shows that funding decisions affect company value.

The regression coefficient is 0.148 with a  $t_{count}$  value of 2.645 and a significance level of t of  $0.009 < 0.05$ ; this shows that dividend policy affects company value.

### **Discussion**

#### ***The Influence of Investment Decisions on Company Value***

The research results show that investment decisions do not affect company value. The research results show that investment decisions do not affect company value because investors ignore the development of assets owned by the company. Purchases of fixed assets made by company management must impact company profits, which will stimulate an increase in the company's value. This research shows that the company that is the object of research has not been able to show maximum profits from the investments made, so investors do not view investment decisions as a reference for investing.

#### ***The Influence of Funding Decisions on Company Value***

The research results show that Funding Decisions positively affect Company Value. The greater the Funding Decision reflects, the more confidence investors have in investing their capital, which will increase the company's value. Investors assume that companies that have large debts will also have the ability to obtain optimal profits. With substantial capital, companies can carry out product innovation and market invasion to gain as many consumers as possible. Company capital can be met from two sides, namely equity and loan capital. Equity can be obtained through the capital market. The choice of source of company funds will affect earnings per share, ultimately

affecting the company's value. The more effectively a company uses sources of funds from loans, the more the company's profit per share will increase, or the company value will increase. However, behind that, the source of borrowed funds has a high risk, namely the interest burden on the company. Meanwhile, another alternative is for the company to use funding sources from its equity.

### *The Effect of Dividend Policy on Company Value*

The research results show that the Dividend Policy positively influences Company Value. Profits distributed in the form of dividends will attract investors and shareholders to invest their capital in the company. To attract investors' interest, the company will always strive to distribute its profits consistently through dividends to increase its value. Dividend payments to shareholders can provide a positive signal that the company has good prospects for growth in the future, so dividend payments can increase market appreciation of the company's share price, which will increase the company's value.

### CONCLUSION

Investment decisions that are proxied using this do not affect the company value that is proxied using Tobin's Q. This is indicated by the regression coefficient of -0.075 with a t value of -1.349 and a significance level of t of  $0.178 > 0.05$ .

Funding decisions that are measured by their positive impact on Company Value are represented by Tobin's Q. The regression coefficient is 0.083, the t value is 1.472, and the significance level of the t value is 0.142, which is less than the threshold of 0.05.

Dividend Policy is proxied using a positive effect on Company Value using Tobin's Q. This is indicated by a regression coefficient of 0.148 with a  $t_{count}$  value of 2.645 and a significance level of t of  $0.009 < 0.05$ .

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