The Influence of Funding Decisions, Invesment Dicisions, and Dividend Policy on Company Value in The Consumer Goods Industrial Sector

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ABSTRACT

The study aims to examine the influence of Funding Decisions, Investment Decisions, and Dividend Policy on Company Value. The sample consist of 25 companies over a 5 year observation period. This sampling technique uses purposive sampling is multiple linear regression with the IBM SPSS Statistic 29 For Windows test tool. This research with a quantitative approach. The data used is secondary data by taking financial and annual reports from companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) for 2019 – 2023. The result of the research show that simultaneously funding decisions, investment decisions and dividend policy have a significant effect on campany value. Partially, funding decisions and dividend policy have a significant positive effect on company value, while investment decisions have a significant negative effect on company value.

Keywords: *Funding Decisions, Investment Decisions, Dividend policy, and Company Value*

1. INTRODUCTION

Company value is one of the important indicators that show the performance and growth of a company (Dasman et al., 2023). One way to increase company value is to manage funding decisions, investment decisions and dividend policies effectively (Jaya, 2021). It can also help companies achieve long-term financial success (Ompusunggu & Irenetia, 2023). Funding decisions relate to how companies obtain the funds needed for investment and operational activities (Oktavianna & Pratiwi, 2022). These funds come from internal sources of the company, namely undistributed profits and also from external sources of the company, namely debt and issuance of new shares (Jaya, 2021). Internal funds are preferred because they allow the company to avoid public attention when issuing new shares and funds sourced from external sources are preferred in the form of debt compared to issuing new shares (Oktavianna & Pratiwi, 2022). The results of research conducted by Maria & Birawan, (2022) prove that funding decisions show significant positive results on company value. This is different from the results of research conducted by Sari et al., (2022) which found significant negative results on company value.

Investment decisions involve the allocation of funds or assets in the hope of gaining greater profits in the future for the development of the company (Oktavia & Kalsum, 2021). Investment opportunities and decisions greatly affect the value of the company, which is reflected in the stock price indicator (Hasnawati & Huzaimah, 2021). The right investment decision is expected to be able to generate positive growth for both the company and the investor (Kurniawan, 2020). The results of research conducted by Selfiani et al., (2023) show that investment decisions have a significant positive effect on company value. Maria & Birawan, (2022) show that investment decisions have a significant negative effect on company value. Another factor that can affect the value of a company is dividend policy. Investors receive dividends as a return on their investment and are also a reason for investors to invest their money in the company (Syamsu & Anwar, 2021). By providing large dividends to investors, it is hoped that the company's value will also increase (Hasnawati & Huzaimah, 2021). Dividends given can be in the form of cash dividends or stock dividends and usually cash dividends are distributed routinely, either quarterly, semi-annually, or annually (Selfiani et al., 2023). According to the "bird in the hand" theory, investors prefer dividends that are certain to be received now rather than expecting uncertain future profits (Miraningrum, 2023). Meanwhile, the "tax preference" theory shows that investors prefer small dividends due to tax factors, the greater the dividend received, the greater the tax that must be paid (Hidayat, 2020). On the other hand, the theory of "dividend irrelevance" states that investors do not pay much attention to the size of dividends distributed by the company (Dasman et al., 2023). The results of research conducted by Arizki et al., (2019) prove that dividend policy has a significant positive effect on company value. Meanwhile (Bahrun et al., 2020) proves the opposite result.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

2.1. Signalling Theory

Signal theory provides guidance or information to investors who want to invest their shares, regarding the company's future prospects through financial reports (Oktavianna & Pratiwi, 2022). This information is very important for investors and business people, because it basically provides information, notes, or descriptions of past, current conditions, and future prospects that affect the company's sustainability. Information in the market has so far been asymmetric, because companies have more information about their prospects than outside parties, such as investors (Sari & Wulandari, 2021). So signals in the form of information are expected to reduce information asymmetry in the market.

2.2. Company Values

Company value reflects financial performance that can be an indicator of welfare for shareholders (Sari & Wulandari, 2021). Company value can be calculated using the price to book value (PBV) ratio, which shows how much the market values the book value of a company's shares (Oktavia & Kalsum, 2021). A good company value is indicated by a high PBV value, if the PBV value is greater than one, it shows that the company is in good condition, meaning that the stock price or market value is higher than the company's book value (Arizki et al., 2019).

2.3. Funding Decisions

Funding decisions refer to the process by which a company determines how to obtain funds to finance investments and determines the composition of its funding sources (Bahrun et al., 2020). Internal and external funding are two categories of funding sources that exist within a company (Hakiki & Muninghar, 2021). According to the pecking order theory, external funds are more desirable in the form of debt than equity (Syamsu & Anwar, 2021). Companies tend to choose funding decisions through debt, because debt can help reduce tax liabilities (Hakiki & Muninghar, 2021). Funding decisions can be analyzed through the Debt to Equity Ratio (DER), If DER increases, interest expenses increase, then profitability will decrease (Utami, 2019).

2.4. Investment Decisions

The company's decision to invest in the present for a long period of time to obtain results or profits in the future is known as an investment decision (Arizki et al., 2019). The right investment decision can provide a positive signal of the company's growth in the future, which can increase stock prices and increase the company's value (Aisah & Widjanarko, 2022). Investment decisions can be measured using Fixed Asset Growth. If fixed asset growth increases, the company's value in front of investors will also increase, because high fixed asset growth indicates that the company is able to generate profits that can be used to increase the number of assets and can increase the company's value.

2.5. Dividen Policy

Dividend policy is known as the decision whether the company's profits at the end of the year will be distributed to shareholders in the form of dividends or saved to increase capital for future investment (Hidayat, 2020). According to the bird in the hand theory, investors prefer high dividends to capital gains (Sherly & Fitria, 2019). Based on the tax preference theory, dividend policy can have a negative impact on the company's stock market price. This happens because of the difference in tax rates between dividend income and capital gains. If the tax rate on dividends is higher than capital gains, investors will prefer not to receive dividends and prefer that the company's profits be retained for future investment (Hidayat, 2020). According to the dividend irrelevance theory, dividend policy does not affect the value of the company or the market price of the company's shares. The value of the company is determined by the company's ability to generate income and the associated risks (Hidayat, 2020).

3. RESEARCH HYPOTHESIS

H1: Funding decisions affect firm value.

H2: Investment decisions affect firm value

H3: Dividend policy affects firm value.

4. RESEARCH METHODS

4.1. Research Variabels

The variables used in this study are independent variables and dependent variables. The dependent variable (Y) is the company value. While the independent variables or are funding decisions (X1), investment decisions (X2) and dividend policies (X3).

4.2. Operational Definition and Measurement of Variables

4.2.1. Company Values

Company value can be interpreted as market value, which is measured by Price Book Value (PBV). This ratio is used by investors to compare the market value of a company's shares with its book value. PBV can be formulated as follows:

$$PBV = \frac{Price\ per\ share}{Book\ value\ per\ share}.$$

4.2.2. Funding Decisions

Funding decisions are decisions that affect the company's financing mix. In this study, funding decisions are measured using the Debt to Equity Ratio (DER), this ratio compares the amount of debt to equity. DER is formulated with the formula:

$$DER = \frac{Total\ Debt}{Total\ Equity} \times 100\%.$$

4.2.3. Investment Decisions

Investment decision is a company's decision to invest its funds with the aim of gaining profit in the future. Investment decision using Fixed Asset Growth, this ratio describes how much investment in the company's fixed assets increases. The Fixed Asset Growth ratio is formulated as follows:

$$FAG = \frac{\text{Fixed Assets (t)} - \text{Fixed Assets (t} - 1)}{\text{Fixed Assets (t} - 1)} \times 100\%.$$

4.2.4. Dividend Policy

Dividend policy refers to the decision on whether the company's profits will be given to investors as dividends or kept as retained earnings for future investment. Dividend policy is measured using the Dividend Payout Ratio (DPR), this ratio functions to measure the percentage of net profit distributed to investors in the form of dividends for a certain period of time (usually within 1 year). The Dividend Payout Ratio (DPR) ratio is formulated as follows:

$$DPR = \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100\%.$$

4.3. Population, Sample, and Sampling Techniques

The population in this study is the consumer goods sector industry listed on the Indonesia Stock Exchange (IDX) in 2019-2023. The sample selection technique uses the purposive sampling method. The criteria used are as follows:

a. Companies included in the consumer goods sector industrial group.

b. The company publishes its annual financial report for 2019-2023.

c. Consumer goods sector companies that distributed cash dividends to their shareholders in 2019-2023 consecutively.

4.4. Data and Data Collection Methods

This study uses a quantitative data scale sourced from secondary data with a documentation method. This technique is carried out by collecting data from the Indonesia Stock Exchange (IDX) with the web address https://www.idx.co.id/, in the period 2019 - 2023.

5. DATA ANALYSIS AND DISCUSSION

The subjects of this study were consumer goods industry sector companies listed on the Indonesia Stock Exchange (IDX) in 2019-2023. There were 129 consumer goods sector companies. The number of samples that had been selected according to the criteria was 25 company samples with a research period of 2019-2023, thus obtaining 125 data to be processed.

5.1. Multiple Linear Regression Analysis

The following is a multiple linear regression equation model :

PBV = -2,552 + 3,566 (DER) – 4,749 (FAG) + 5,176 (DPR) + e

Table 1 Multiple Linear Regression Analysis

Model	Unstandardized		t count	t table	Sig.
	B	Std. Error			
Constant	-2,552	1,379	-1,850		0,067
Funding Decisions (DER)	3,566	0,691	5,163	±1,979	<0,001
Investment Decisions (FAG)	-4,749	2,283	-2,080	±1,979	0,040
Dividen Policy (DPR)	5,176	1,524	3,396	±1,979	<0,001
F^{table} = 2,68					
F^{count} = 13,048			Sig. = <0,001		
R = 0,494			Adjusted R Square = 0,226		
R Square = 0,244					

5.2. Simultaneous Test (F Test)

Based on table 2, it can be seen that the level of significance is 0.001 < 0.05. This means that together, funding decisions (DER), investment decisions (FAG) and dividend policy (DPR) have a significant effect on company value (PBV).

5.3. Coefficient of Determination Test (R2)

The test results show that the R Square or R2 obtained is 0.244. This value shows that the amount of contribution of the independent variables simultaneously affects the dependent variable by 24.4% and 75.6% is influenced by other variables outside the model.

5.4. Partial Test (Test t)

The T-test results show a significance value of 0.001 < 0.05, which means that the funding decision (DER) partially has a positive and significant effect on the company's value (PBV). The T-test results show that the significance value of 0.040 < 0.05, which means that the investment decision (FAG) partially has a significant negative effect on the company's value (PBV). The next shows that the significance of 0.001 < 0.05, which means that the dividend policy (DPR) partially has a significant positive effect on the company's value (PBV).

6. DISCUSSION

6.1. The Influence of Funding Decisions on Company Value

Funding decisions (DER) partially have a positive and significant influence on the value of the company. This shows that the greater the funding decision, the higher the value of the company. If the funding funded by debt is then managed well by the company and generates profit, it can increase the value of the company, which means that debt can provide a positive signal (Oktavia & Kalsum, 2021). The results of this study are in line with the Trade-off theory which explains that companies with a certain level of debt can reduce their tax burden because interest payments on the debt are calculated as costs, thereby reducing the profit subject to tax (Sherly & Fitria, 2019). The results of this study are supported by signaling theory which explains that companies obtain funds from external sources through debt, it is hoped that investors will receive a positive signal indicating that the company has good prospects in the future (Mubarokah & Indah, 2021), Oktavia & Kalsum, (2021) and Hakiki & Muninghar, (2021) states that funding decisions proxied by the Debt Equity Ratio have a positive and significant influence on company value (PBV).

6.2. The Influence of Investment Decisions on Company Value

Investment decisions proxied by (Fixed asset growth) partially have a negative and significant impact on company value. This negative impact may be caused by the low quality of investment, if the company allocates funds to unprofitable projects, this can reduce the value of the company. Investment in fixed assets can increase fixed costs including depreciation costs, maintenance costs, and other costs related to the use of new fixed assets, which are reflected in the company's profit and loss profile (Setiawan & Sudiro, 2019). An increase in fixed assets that is not accompanied by an increase in profits will not provide a positive signal for investors (Miraningrum, 2023). This research is in line with previous research, Maria & Birawan, (2022) that investment decisions have a significant negative effect on company value.

6.3. The Influence of Dividend Policy on Company Value

Dividend policy (DPR) partially has a positive and significant effect on company value. This shows that the greater the investment decision, the higher the value of the company. The more consistent the company is in distributing cash dividends, the higher the stock price. This is also due to the increasing mechanism of demand and supply for shares, which in turn drives up stock prices (Arizki et al., 2019). The results of this study are also supported by the bird in the hand theory, that investors prefer high dividends to capital gains that may be obtained in the future. This study is in line with research conducted by Arizki et al., (2019) and Hasnawati (2021), dividend policy (dividend payout ratio) has a positive and significant influence on company value.

7. CONCLUSION

Based on the results of statistical testing and data analysis, the following conclusions can be drawn :

a. Together, financing decisions, investment decisions and dividend policy have a significant influence on company value in the comsumer goods industry sector.

b. Funding decisions have a positive and significant impact on company value in the consumer goods industry sector.

c. Investment decisions have a negative and significant impact on company value in the consumer goods industry sector.

d. Dividend policy has a positive and significant effect on company value in the consumer goods industrial sector.

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