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The Effect Of Investment Decisions, Funding Decisions And Dividend Policy On Firm Value In The Banking Industry Listed On The Bei For The Period 2020-2022

Nasrudin Nasrudin[1]
[1]Universitas Logistik dan Bisnis Internasional, Indonesia, nasrudin@ulbi.ac.id

Corresponding Author: nasrudin@ulbi.ac.id[1]

Abstract: This research aims to determine the influence of investment decisions, funding decisions and dividend policies in the banking industry listed on the IDX for the 2020-2022 period. By using samples using purposive sampling techniques from 10 companies and multiple regression analysis, the research results show that investment decisions have a positive impact and have a significant effect on company value, while funding decisions and dividend policies do not have a significant effect on company value. In this study, researchers suggest that companies and managers pay attention to important decisions within the company to increase company value.

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

INTRODUCTION

The purpose of a company is to create sustainable value, maximize profits, prosper the parties involved, maximize company value and create economic value while having a positive impact on the surrounding environment (Husnan, 2000: 7). A company's value will be reflected through its stock price. The agreement between investor demand and supply is a process of how a stock price is formed in the capital market. Assets owned by a company will be reflected through the value of the company which is a perception of investors. The company value is an investor's perception of the company because the company value reflects the assets owned by the company, the company value can be measured from the stability and increase in stock prices over time. Optimizing company value can be achieved by implementing financial management functions, where every financial decision made will affect other decisions and have an impact on company value.

The banking industry has a very important role because banks are the main drivers of a country's economy, both in developed and developing countries. The role of banks in economic activities, including the provision of credit and the fulfillment of various needs in various sectors of the economy and trade, makes them the core of the financial sector. The banking industry cannot operate without deposits from the public, but also cannot increase its profits by relying on public deposits alone (Widowati and Suryono, 2015). This encourages company managers to make important decisions to increase company value. Financial management involves making important decisions, such as investment, funding, and dividend policy decisions.

Company value is the company's performance reflected by the stock price formed by demand and supply in the capital market which reflects the public's assessment of the company's performance (Harmono 2011: 233).
Price to book value (PBV) is a market price ratio used to measure a stock market price performance by dividing the market price per share by the book value per share. Below is the formula for knowing PBV:

$$PBV : \frac{\text{Market Price share}}{\text{Book value share}}$$

Investment decision

Investment decisions are commitments to a number of funds or other resources for the future (Tandelilin, 2001: 3). Investment decisions involve investing in one or more assets that are usually held for a long period of time in the hope of making profits in the future. The formula for calculating PER is:

$$PER : \frac{\text{Price share}}{\text{Earnings share}}$$

Funding Decision

Funding decisions involve determining how the company chooses the right funding composition (Hasnawati, 2005). It also includes determining the sources of funds to be used, finding the optimal funding balance, and deciding whether the company will use internal sources of funds or obtain them from external parties. Funding decisions are often indicated by the Debt to Equity Ratio (DER), which can be calculated by the formula:

$$DER : \frac{\text{Total Debt}}{\text{Total Equity}}$$

Dividend Policy

Dividend policy is a decision whether the profit generated by the company will be distributed to shareholders as dividends or will be retained as retained earnings to support future investment (Sartono, 2010: 281). Dividend policy is often represented by the Dividend Payout Ratio (DPR), which can be calculated by the formula:

$$DPR : \frac{\text{Dividend Share}}{\text{Earning Share}}$$

METHOD

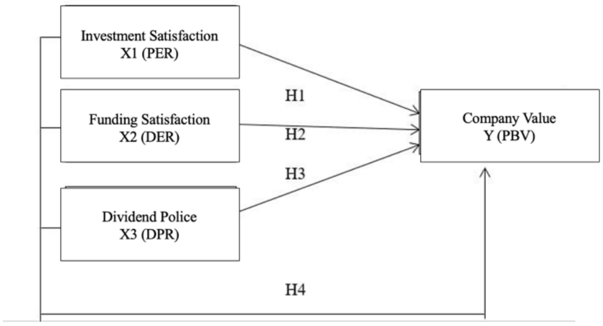

Figure 1. Research Model
Source: Theoretical Review, 2019

Hypothesis

The hypothesis in the study is:

H1 : Investment decisions have a significant and positive effect on firm value.
H2 : Funding decisions have a significant and positive effect on firm value.
H3 : Dividend Policy has a significant and positive effect on firm value.
H4 : Investment Decisions, Funding Decisions and Dividend Policy simultaneously have a significant and positive effect on firm value.

Research Approach

This type of research uses associative research methods. Associative research is research that aims to determine the relationship between two or more variables.

Population, Sample, and Sampling Technique

The population in this study is the banking industry listed on the IDX with the period 2020-2022. Which amounted to 45 companies, the sample of the population in this study was 10 companies. The sampling technique used purposive sampling (Sugiyono 2012: 117). The criteria set to obtain the sample are as follows:

1. Conventional general banking industry listed on the IDX during 2020-2022.
2. Banking industry that has never experienced mergers and delisting over the past five years.
3. Banking industry that publishes annual financial reports on the IDX during the 2020-2022 period.
4. Conventional banking companies that have a minimum capital of Rp. 3 Trillion (OJK Regulation No. 12 / PJOK.03 / 2020).
5. Companies that pay dividends during 2020-2022.
6. Available complete data contained in the financial statements during the 2020-2022 period.

Source and Type of Data

The data source used in this study is quantitative secondary data regarding the annual financial statements of banking companies listed on the IDX for the 2020-2022 period. The type of data in this study uses quantitative data in the form of annual financial reports published by banking companies listed on the IDX for the 2020-2022 period.

Data Collection Technique

The data collection technique used in this study was carried out by documentation studies, namely by analyzing secondary data related to this study. The data is obtained from the financial statements of banking companies listed on the IDX for the 2020-2022 period. Obtaining secondary data by downloading via the site (www.idx.co.id).

Data Analysis Technique

The analysis method used in this research is Multiple Linear Regression Analysis by first testing classical assumptions. The test was carried out to test whether the data in this study were normally distributed and did not have symptoms of multicollinearity, as well as symptoms of heteroscedasticity. The multiple linear regression analysis method is assessed by the coefficient of determination, t test, and F test.

Normality Test

The normality test on the regression model is used to test whether the residual value is normally distributed or not. The normality test in this study is by analyzing the regression graph (normal P-Plot), if it spreads around the line and follows the diagonal line, the residuals in the regression model are normally distributed.

Heteroscedasticity Test

This heteroscedasticity test is used to test whether in the regression model there is an inequality of variance from residuals on one observation to another. The heteroscedasticity test in this study uses the regression scatterplot method.

Multicollinearity Test

The Multicollinearity test aims to test whether the regression model found a correlation between the independent variables. A good regression model should not have a correlation between the independent variables.

Multiple Regression Analysis

This method is used to determine how much influence investment decisions (PER), funding decisions (DER) and dividend policy (DPR) have on firm value (PBV).
The multiple linear regression equation is :

$$\mathbf{Y = \alpha + \beta 1_{X1} + \beta 2_{X2} + \beta 3_{X3} + e}$$

Hypothesis Testing

1. **Simultaneous Significance Test (F Test)**
   The F test is used to determine the effect of the independent variables on the dependent variable together or simultaneously.
2. **Partial Significance Test (t test)**
   To determine the significance of the effect of the independent variable on the dependent variable individually or partially

RESULTS AND DISCUSSION

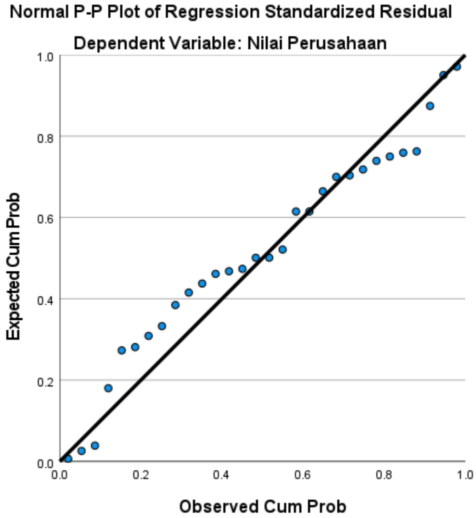

Figure 2. Normal P-P Plot Graphics

Based on Figure 2, it can be seen that the data spreads around the diagonal line and follows the direction of the diagonal line on the histogram graph, this indicates that the distribution pattern is normal. So it can be concluded that the P-P Plot Graph, the regression model fulfills the assumption of normality.

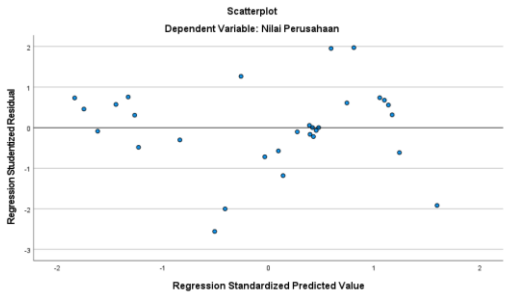

Figure 3. Sccaterplot Graphics

Based on the Scatterplot output, it can be seen that the points spread randomly and do not form a certain clear pattern and in the spread of the points spread below and above the number 0 on the Y axis. This means that there is no heteroscedasticity in the regression model, so the regression model is suitable for further analysis.

Discussion

The effect of investment decisions on firm value

Based on the test results conducted, it is known that investment decisions (PER) have a significant effect on firm value in the banking industry. The results of this study are in accordance with those stated by Brigham and Houston (2001) in Dewantari, Endiana, and Kumalasari (2022) regarding signal theory where investment expenditures made by the company provide a signal or positive impact on future company growth, especially for investors. This is because if a company allocates company funds to total assets, it is expected to generate a higher return than the cost of capital so that it can increase the company's value. Larger investments provide greater opportunities for high profits.

The results of this study are in line with the results of research by Dewantari, Endiana and Kumalasari (2022) which state that investment decisions (PER) have a significant effect on firm value.

The effect of funding decisions on firm value

Based on the results of the research above, it can be concluded that funding decisions (DER) have no significant effect on firm value in the banking industry, due to investor concerns about the risk of bankruptcy from using debt as a source of funding which results in a decrease in investors' interest in investing.

Of course, this is in line with research conducted by Salama, Rate, and Untu (2019) which concluded that funding decisions have no significant effect on firm value.

The effect of dividend policy on firm value

Based on the results of research that has been done previously, we can conclude that dividend policy (DPR) does not have a significant effect on firm value in accordance with the theory of Modigliani and Miller (1958) in Indrayani, Endiana and Pramesti (2021) which states that dividend policy has no effect on firm value, because every nominal spent on dividend payments will reduce retained earnings, where the company will choose to buy new assets that will be used for the common benefit of the company.

The results of this study are of course in accordance with research conducted by Indrayani, Endiana and Pramesti (2021), which states that dividend policy has no significant effect on firm value.

CONCLUSION

The conclusions of this research are: Investment decisions have a positive impact and have a significant effect. So it can be concluded that investment decisions have a significant influence on firm value and H1 is accepted; Funding decisions have a negative and insignificant effect. So it can be concluded that funding decisions do not have a significant influence on firm value, so H2 is rejected; Dividend policy has a negative and insignificant effect. It can be concluded that dividend policy has no significant effect on firm value, so H3 is rejected.

Suggestions from this research are: For investors who will invest in a company, it would be better to dig up more information as a basis or guideline for making investments. The things that need to be made important points for investors are regulations or company financial policies and company performance every year so that they can get confidence to invest in the company; For the management to be more careful in making risky decisions in the company to be in accordance with the existing situations and conditions in order to create a satisfactory performance, which will have a positive impact on the development of the company and can attract investors to invest their funds in the company; For further researchers, it is hoped that they can conduct research on other decisions that can affect company value. By adjusting the research period, research objects in certain sectors or indices and adding other variables in the study.

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