

ABSTRACT

The Influence of Investment Decisions, Funding Decisions, and Dividend Policies on Corporate Values in Manufacturing Companies in the Consumer Goods Industry Sector Listed on the Indonesia Stock Exchange for the 2012-2016

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The purpose of this study was to determine the effect of investment decisions, funding decisions, and dividend policies on firm value. The population in this study is a consumer goods manufacturing sector manufacturing company listed on the Indonesia Stock Exchange in 2012-2016. Data collection techniques in this study are panel data techniques, namely *time series* and *cross section*. The results showed that investment decisions have a positive and insignificant effect on firm value, funding decisions have a significant positive effect on firm value, and dividend policy has a negative and not significant effect on firm value.

Keywords: *Company Value, Investment Decision, Funding Decision and Dividend Policy.*

PRELIMINARY

The purpose of corporate financial management is to maximize the wealth of shareholders, which means increasing the value of the company which is a measure of objective value by the public and orientation to the survival of the company. The optimal corporate value will be achieved by combining the functions of financial management.

Optimization of corporate value can be achieved through the implementation of financial management functions, where one financial decision taken will influence other financial decisions and have an impact on the value of the company (Wijaya, 2010). A company manager in achieving company goals must have the duty and obligation to make a decision and policy. One of the goals of the company is to meet the expectations of investors, for memes nuhi expectations of investors, financial managers strive to maximize the welfare of investors by making decisions and financial policies including investment decisions, financing decisions and dividend policy. The three financial decisions will maximize the value of the company which will further increase the prosperity of shareholders' wealth.

The purpose of investment decisions is to get high profits with certain risks. From high profits and risks that can be managed well, it is expected to increase the value of the company, which also means increasing the prosperity of shareholders. Investment decisions are very important because they will affect success in achieving company goals. Because investment decisions involve decisions about determining the allocation of funds into other forms of investment that bring profit in the future. According to signaling theory, investment expenditures provide a positive signal about the growth of the company in the future, so that it can increase stock prices which are used as indicators of company value (Wahyudi and Pawestri, 2006). Thus the higher the profit the company has, the higher the value of the company, which means the greater prosperity that will be received by the owner of the company. Research

conducted by Safitri Lia Achmad (2014) found that investment decisions do not affect company value. In contrast to research conducted by Wijaya and Wibawa (2010) provide empirical evidence that investment decisions have a positive effect on firm value.

Company value can be influenced by funding decisions. Keputusan it involves tentang how financial managers developed and analyze the sources of funds used by the company (Hasnawati, 2005). Funding sources that are influenced from internal are retained earnings and from external companies in the form of debt or issuance of new shares which are sources of funding within the company. Research conducted by Wijaya and Wibawa (2010) provides empirical evidence that funding decisions have a positive effect on firm value. Meanwhile research conducted by Sari (2013) found that funding decisions did not affect the value of the company.

The policy that needs to be considered in optimizing company value is dividend policy. Dividend policy is a problem that is often faced by companies. Dividends are profits obtained by the company that will be paid to shareholders. Dividend policy is a policy regarding determining the size of dividends that will be paid and saved by the company as retained earnings for the growth of the company. Research conducted by Wijaya and Wibawa (2010) shows that dividend policy has a positive effect on firm value. Efni, (2011) states that based on the research that has been carried out, there are still many controversies that have occurred both in dividend determination and in dividend payments. According to Efni, (2011) dividend policy is not relevant to the value of the company.

THEORETICAL REVIEW

Signaling Theory

According to Brigham and Houston (2001) states that signal theory is an action taken by a company to provide guidance for investors about how management views the company's prospects. Companies providing information to external

parties because there is asymmetry of information between the company and outside parties for companies to know more about the company and its future prospects than outsiders (investors and creditors).

Trade Off Theory

Trade off theory states that companies exchange the benefits of tax from debt funding with problems caused by potential bankruptcy (Brigham and Houston, 2011). The essence of the trade-off theory in capital structure is to balance the benefits and sacrifices that arise as a result of using debt. As far as benefits are greater, additional debt is still allowed. If the sacrifice is because the use of debt is greater, then the additional debt is not allowed.

Bird In The Hand Theory

Bird in the Hand Theory is a concept of investor concern about dividends shared by the company. Gordon and Lintner explained that investors requires high dividend payments because it assumes that obtaining high dividends at this time is less risky than obtaining capital gains in the future.

Irrelevant Theory Dividend

Modigliani and Miller (1961), stated that dividend policy does not have an impact on stock prices or capital costs of a company, because the value of the company is only determined by the ability to earn profits, not on the distribution of company profits for dividends and partly for retained earnings.

The value of the company

One of the goals, vision and mission of the company is to increase the value of the company in order to increase prosperity for the owners of the company. Company value is the selling price, if the company is sold which not only reflects the value of the company's assets but also the level of business risk, company prospects, business environment management, and other factors if the company has not *gone public* (Sartono, 2001).

Investation decision

According to Sartono (2001: 6), investment decisions are concerned with funds allocation decisions both funds originating from within the company and funds originating from outside the company in various forms of investment. In other words, what kind of investment is best for the company.

Funding Decision

Management can determine how much the composition of debt and equity for the company. Companies that are more funded by debt have a greater obligation to pay their debt. The company's policy in determining funding sources is a very difficult thing. Many companies tend to prefer to use debt in running their business, because they assume that debt will be more profitable than when using their own capital, so that it will increase returns for shareholders.

Based on the understanding above, the conclusion that can be drawn is that funding decisions with sources of funds originating from debt can increase the value of the company.

Dividend Policy

According to Sartono (2009), dividend policy is a decision whether the profits obtained by the company will be distributed to shareholders, or will be detained in order to fund investment in the future.

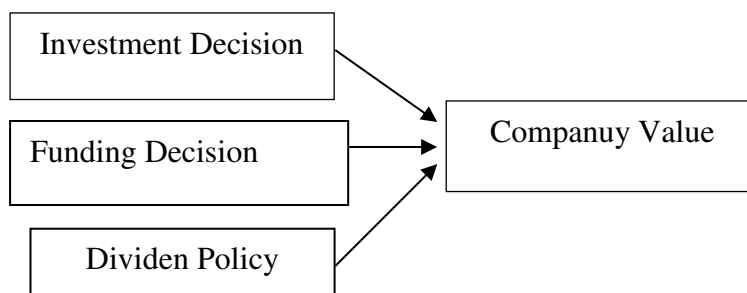
If the company increases dividend payments, then it can be interpreted by investors as a signal of management's expectations about the company's performance improvement in the future so that dividend policy has an influence on the value of the company.

Conceptual Framework

The investment decision is a combination of the value of real assets with investment choice in the future. Research conducted by Wijaya and Wibawa (2010) provide empirical evidence that investment decisions have a positive effect on firm value.

Funding decisions are decisions regarding the source of funds to be used by the company. Funding decisions can also be interpreted as decisions concerning *financial structures*, which are compositions of funding decisions. Research conducted by Wahyudi and Pawestri (2006) found a similar thing that funding decisions positively affect company value.

Dividend Policy, Dividend payments can be used as a *monitoring* tool for investors, where if the company distributes dividends, investors will assume that the company's profits increase. Dividend policy concerns decisions about the use of profits that are the rights of shareholders. The research conducted by Sari (2013) found that dividend policy had an effect on company value.



HIPOTHESIS

H₁ : Investment decisions affect the value of the company.

H₂ : Funding decisions affect the value of the company.

H₃ : Dividend policy affects the value of the company.

Data collection technique

This data collection technique is a technique of panel data is a combination of time series data (*time series*) and data cross (*cross section*). Other data collection is obtained through books and journals that are relevant to the problem under study.

Data analysis technique

The data analysis technique used is panel data analysis. Panel data is data from several individuals observed in a certain period of time.

According to Jaya and Sunengsih (2009) panel data is a combination of *cross section* and *time series* data , where the same *cross section* units are measured at different times. Panel data analysis is a regression analysis based on panel data to observe the relationship between a *dependent variable* and one or more *independent variables* .

The coefficient of determination (R^2)

The coefficient of determination is indicated by the *adjusted R-Square value*. The *adjusted R-Square value* from this panel data regression model is used to determine how much the independent variable's ability to explain the dependent variable.

adjusted R-square value of 0.9645. This means that 96 , 45 % of company value can be explained by variations in the independent variables, namely investment decisions, funding decisions and dividend policies, the remaining 3.60% is explained by other variables outside of this study.

DISCUSSION

Effect of Investment Decision (PER) on Company Values (PBV)

Based on the results of research that has been described statistically using the Eviews program, it shows that PER has a positive but not significant effect on

PBV. This is evidenced by the positive effect shown where the value $t = 0.516245$ and is not significant because $\text{prob } 0.6096 > 0,05$.

This is supported by research by Wijaya and Wibawa (2010) providing empirical evidence that investment decisions have a positive effect on firm value, Susilawati (2015), Afsal and Rohman (2012) which explains that investment decisions have a positive effect on firm value. On the contrary this research is not in line with the research conducted by Safitri (2014) which states that investment decisions do not affect the value of the company.

Effect of Funding Decision (DER) on Company Values (PBV)

Based on the results of research that has been described statistically using the Eviews program, it shows that DER has a positive and significant effect on PBV. This is evidenced by the positive effect shown where the value $t = 3.228003$ and significant because $0.0031 < 0,05$.

The results of this study are in accordance with the Trade off Theory states that managers will try to increase the level of debt to a point where the value of additional interest tax protection is really offset by the additional costs of financial problems, meaning that the use of debt will increase the company's value to an optimal point.

This is supported by research by Wijaya, Wibawa (2010), Afzal, Rohman (2012), Achmad (2014), the results of his research show that funding decisions have a significant influence on firm value.

Effect of Dividend Policy (DPR) on Company Values (PBV)

Based on the results of research that has been described statistically using the Eviews program, it shows that the DPR has a negative and not significant effect on PBV. This is evidenced by the negative effect shown where the value $t = -0.385192$ and is not significant because $\text{prob } 0.7029 > 0,05$.

With no effect on dividend policy on firm value, *Irrelevant Theory's dividend* also states that the company's dividend policy does not have an influence on the company's value and capital costs. This is supported by research by Afzal,

Rohman (2012) Susilawati (2015), the results of his research indicate that dividend policy does not influence the value of the company. This research is also in line with the research conducted by Yangs (2010) who said that dividend policy had no significant effect on firm value.

Kusumastuti (2013: 93) adds the reason that the dividend policy does not affect the value of the company due to shareholders just want to take advantage of short term by way of *capital gains*. Because some shareholders have shifted their orientation from getting oriented dividends to obtaining *capital gains*. Efni (2011) states that based on the research that has been carried out, there are still many controversies that have occurred both in dividend determination and in dividend payments.

CONCLUSION

Based on the results of research obtained about the influence of investment decisions, funding decisions and dividend policies on firm value, conclusions that can be taken are as follows:

1. Investment decisions have a positive but not significant effect on the value of the company in the consumer goods industry sector manufacturing company listed on the IDX for the period 2012-2016.
2. Funding decisions have a positive and significant effect on value company in the consumer goods manufacturing sector listed on the Indonesia Stock Exchange for the period 2012-2016.
3. Dividend policy has a negative and not significant effect on value company on Companies manufaktur consumer goods industry sectors listed on the Stock Exchange 2012-2016 period.

Suggestion

1. For investors, they should invest their funds in companies that are able to generate optimal profits through their investment activities. Investors should also invest their capital in companies that share their profits consistently.

2. For further research: you should be able to develop other variables that affect company value because based on the results of the coefficient of determination (*R-Square*) amounting to 0.9645 which means 96.45% The value of the company can be explained by variations in the independent variables namely investment decisions, funding decisions and dividend policies, the remaining 3.60% is explained by other variables.

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