THE EFFECT OF FINANCIAL DECISIONS ON THE VALUE OF BANKING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE, 2018-2020

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ABSTRACT

This study aims to determine the effect of investment decisions, funding decisions, and dividend policy on firm value in banking companies listed on the Indonesia Stock Exchange in 2018-2020. This research is classified as a quantitative approach. The sample in this study was 12 banking companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2020 periods. Sampling used the census technique. The data analysis technique used multiple linear regressions. The results of the study show that investment decisions have a positive and significant effect on firm value. Funding decisions have a negative and insignificant effect on firm value. Dividend policy has a positive and significant effect on value. Investment decisions, funding decisions and dividend policies affect the value of banking companies listed on the Indonesia Stock Exchange.

Keywords: Investment Decision (PER); Funding Decision (DER); Dividend Policy (DPR); Firm Value (PBV).

INTRODUCTION

Economic growth and development marks the speed of globalization. At that time, the competitive environment of the business world became increasingly tense, thus requiring economic actors to formulate and implement appropriate strategies to maintain business continuity, both individuals and companies. With the number of financial companies and the economic situation getting worse, competition between banking companies is getting tougher. Competition in the business world, especially between banking companies, has enabled every company to improve its performance so that it can achieve its goals. The goal is to increase the prosperity of the owners or shareholders by increasing the value of the company (Salvatore, 2005).

Banking is one of the most sought after financial sectors by investors in the capital market, banking as a financial institution whose business activities are collecting funds from the public and channeling these funds back to the public and providing other banking services is one of the reasons why banks are easier to withdraw. interest because not much money is stored in it (Kasmir, 2016) . As an institution that affects the level of the economy, if the financial system does not function properly, the economy becomes inefficient and cannot achieve the expected economic growth, the existence of a healthy bank is an absolute requirement for a healthy economy (Laluas et al., 2014).

Furthermore, the company has two goals, namely short-term goals and long-term goals. The short-term goal is to maximize profits with the available resources, while the long-term goal is to maximize the profits and prosperity of the shareholders share. The higher the value of the company, the prosperity of shareholders will also increase; high share prices make the value of the company also high. According to Febriana et al., (2016) the value of the company will be reflected in its share price. So, the objective of this study is determine the effect of investment decisions, funding decisions, and dividend policy on firm value in banking companies listed on the Indonesia Stock Exchange in 2018-2020.

LITERATURE REVIEW

Company value is a certain condition that has been achieved by a company as an illustration of public trust in the company after going through a process of activity for several periods, namely since the company was founded until the current time (Rudangga & Sudiarta, 2016) . The value of the company which is proxied through the market value of the stock has changed even though there is no financial policy carried out by the company (Suryantini & Arsawan, 2014) .

According to Sartono (2011) the term financial decisions can be interpreted as fund management both related to the allocation of funds in various forms of investment effectively and efforts to raise funds for investment financing or spending efficiently. Executors of financial decisions are financial managers. Although the function of a financial manager in every organization is not necessarily the same, in principle the main function of a financial manager is to plan, seek, and utilize in various ways to maximize the efficiency (usefulness) of the company's operations.

Tandelilin (2010) stated that investment decisions have two kinds, investment in short-term assets (current assets) and long-term assets (fixed assets). Short-term assets are usually defined as assets with maturities of less than one year or less than one business cycle, in this case the funds invested in short-term assets are expected to be received back in the near future or less than one year and received at once. The purpose of companies investing in short-term assets is to be used as working capital or company operations. Examples of short-term assets are inventory, accounts receivable, and cash. While long-term assets are defined as assets with maturities of more than one year, in this case the funds invested in long-term assets will be received back in more than one year and returned gradually.

Funding decisions relate to funding alternatives made by the company. Funding decisions are related to the process of selecting the source of funds that have been used to finance the planned investment with various alternative sources of funds available, in order to obtain the most effective combination of spending. Loans and shares are sources of funds that come from outside the company, while retained earnings are sources of funds that come from within the company (Saputra & Budi, 2012) .

Purnamasari et al., (2009) stated that dividends are part of the company's profits or revenues determined by the board of directors to be distributed to shareholders. Dividends received at this time will have a higher value than capital gains that will be received in the future, so investors who are not willing to speculate will prefer dividends to capital gains. (Prihantoro, 2003). Capital gain is the profit obtained by investors because the stock price at the time of sale is higher than when purchased. One of the investors invests their funds by buying shares of a company because they want to get dividends. There are several types of dividends: cash dividends and non-cash dividends. For non-cash dividends, there are stock dividends and stock splits.

Based on the literature review, the hypothesis in this study can be declared:
H1: There is a significant effect the Price Earnings Ratio (PER) toward firm value (PBV).
H2: There is a significant effect the Funding Decision (DER) toward firm value (PBV).
H3: There is a significant effect the Dividend Policy (DPR) toward firm value (PBV).

RESEARCH METHODS

This study aims to examine the effect of investment decisions, funding decisions and dividend policy on firm value. The dependent variable in this study is firm value, this variable is measured by price book value. The independent variables in this study are investment decisions, funding decisions and dividend policy. The population in this study were 12 banking companies listed on the Indonesia Stock Exchange in 2018-2020. The sampling

method in this study was using the census method according to the criteria and obtaining 12 banking companies listed on the Indonesia Stock Exchange in 2018-2020.

The data collection technique in this study used the documentary method, namely by collecting secondary data in the 2018-2020 time series. The data is obtained from the annual financial statements of banking companies listed on the Indonesia Stock Exchange in 2018-2020 via the internet at the www.idx.co.id. The data collected in this study were analyzed using the SPSS version 25 application. The analytical method of this study used multiple linear regression by performing descriptive statistical tests, classical assumption tests, and hypothesis testing consisting of t-test, F-test and coefficient of determination test. This research was conducted on banking companies listed on the Indonesia Stock Exchange in 2018-2020.

RESULTS AND DISCUSSION

In this study, statistical descriptive analysis will be used to analyze quantitative data in the form of descriptive analysis of each variable used, namely investment decisions, funding decisions, dividend policies and firm value. The following are the results of a descriptive analysis of the research which consists of several variables and can be seen in Table 1.

Based on Table 1, it can be explained that the total data used is 36 data, namely from a total of 12 samples. The investment decision variable has a standard deviation of 8.05114 with the lowest value of 6.54, the maximum value of 34.75 and the average value of 15.1475. The funding decision variable has a standard deviation of 1.55709 with the lowest value of 3.26, the maximum value of 10.22 and the average value of 5.5460. The dividend policy variable has a standard deviation of 16.18994 with the lowest value of 12.16, the maximum value of 69.11 and the average value of 39.2292. While the firm value variable has a standard deviation of 1.13303 with the lowest value of 0.43, the maximum value of 4.68 and the average value of 1.5491.

Based on the results of the normality test with Kolmogorov -Smirnov in Table 2, it shows the magnitude of the p-value seen in the Asymp value. Sig is 0.094, where the value is greater than 0.05. This means that the data used in the study is normally distributed, so that the data is good and feasible to be used in research because it has met the normality assumption (Ghozali, 2018) .

Based on the test results in Table 3, it shows that all the independent variables used have a tolerance value > 0.100 and a VIF value < 10. So it can be concluded that the regression model does not occur multicollinearity. This means that the resulting regression model is good, because there is no correlation between the independent variables used in the study.

Based on the results of the autocorrelation test in Table 4, the Durbin Watson value was obtained at 1.766. In this study, the number of samples used was n = 36 and the independent variable k = 3, then du = 1,654, so that from this value obtained the value 4 − du = 4 - 1,654 = 2,346. The results obtained are located between the values of du and 4 − du which can be written as follows 1.654 < 1.766 < 2.346. This means that the regression model used in the study does not occur autocorrelation, so the model is feasible to use. It can be concluded that the resulting regression model is good.

Based on the results of the analysis using the Glejser test in Table 5, it shows that the significance value of each independent variable used is greater than 0.05 (sig. > 0.05). These results can be concluded that the regression model produced in this study does not occur heteroscedasticity, so it can be said that the regression model produced is good.

Based on the results of the analysis in Table 6, the coefficient of determination shown in the Adjusted R Square column is 0.533. This means that the variables (Price Earnings Ratio (PER), Debt to Equity Ratio (DER), and Dividend Payout Ratio (DPR) can explain the

variation of the company value variable by 53.3% while the remaining 46.7% is explained by other variables..

Based on the results of the F statistical test in T table 7, the significance value of F is 0.000, where the value is smaller than 0.05, it can be concluded that the resulting regression model is fit, so the regression model is significant and feasible to use. These results mean that the Price Earnings Ratio (PER), Debt to Equity Ratio (DER), and Dividend Payout Ratio (DPR) can be used to predict firm value.

Hypothesis testing in this study used the t statistical test. Basically this test shows how far the influence of Price Earnings Ratio (PER), Debt to Equity Ratio (DER), and Dividend Payout Ratio (DPR) on Price Book Value (PBV). Based on the results of the analysis in Table 8, the t value of the variable Price Earnings Ratio (PER) obtained is greater than the t table, namely 3.932 > 2.03452, with a significance level of 0.000 <0.05. So the decision making is to reject the null hypothesis (H0), and accept the alternative hypothesis (Ha). This means that the Price Earnings Ratio (PER) has a positive and significant effect on the value of banking companies listed on the IDX and becomes the research sample in 2018 - 2020. It can be concluded that hypothesis one (H1) which states that the Price Earnings Ratio (PER) has a positive effect. and significant to firm value statistically acceptable.

Based on the results of the analysis in Table 8, the t value of the Debt to Equity Ratio (DER) variable obtained is greater than the t table, namely -0.152 < 2.03452, with a significance level of 0.880 > 0.05. So that the decision making is to accept the null hypothesis (H0), and reject the alternative hypothesis (Ha). This means that the Debt to Equity Ratio (DER) has a negative and insignificant effect on the value of banking companies listed on the IDX and becomes the research sample in 2018 - 2020. It can be concluded that the second hypothesis (H2) which states that the Debt to Equity Ratio (DER) has a negative and insignificant effect on firm value which is statistically acceptable.

The analysis in Table 8, the t value of the Dividend Payout Ratio (DPR) variable obtained is greater than t table, namely 2.063 > 2.03452, with a significance level of 0.047 < 0.05. So the decision making is to reject the null hypothesis (H0), and accept the alternative hypothesis (Ha). This means that the Price Earnings Ratio (PER) has a positive and significant effect on the value of banking companies listed on the IDX and becomes the research sample in 2018 - 2020. It can be concluded that hypothesis one (H1) which states that the Price Earnings Ratio (PER) has a positive effect, and significant to firm value statistically acceptable.

Table 1. Descriptive Statistics Test Results

	N	Minimum	Maximum	mean	Std. Deviation
Investment Decision (X1)	36	6.54	34.75	15.1475	8.05114
Funding Decision (X2)	36	3.26	10.22	5.5460	1.55709
Dividend Policy (X3)	36	12.16	69.11	39.2292	16.18994
Firm Value (Y)	36	0.43	4.68	1.5491	1.13303
Valid N (listwise)	36				

Table 2. Normality Test Results

		Unstandardized Residual
N		36
Normal Parameters [a,b]	mean	0.0000000
	Std. Deviation	0.86423840
Most Extreme Differences	Absolute	0.135
	Positive	0.135
	negative	- 0.117
Test Statistics		0.135
asymp. Sig. (2-tailed)		0 0.094 [c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Table 3. Multicollinearity Test Results

		Collinearity Statistics	
Model		Tolerance	VIF
1	(Constant)		
	Investment Decision (X1)	0.931	1.074
	Funding Decision (X2)	0.709	1.410
	Dividend Policy (X3)	0.740	1.351

Dependent Variable: Firm Value (Y)

Table 4. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.758 [a]	0.574	0.533	0.77243	1.766

a. Predictors: (Constant), Dividend Policy (X3), Investment Decision (X1), Funding Decision (X2)
b. Dependent Variable: Firm Value (Y)

Table 5. Heteroscedasticity Test Results

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.002	0.001		3,470	.002
	Investment Decision (X1)	-6,913E-7	0 000	- 0.146	- 0.661	0.514
	Funding Decision (X2)	- 0.023	0.013	- 0.755	-1,745	0.091
	Dividend Policy (X3)	0.004	0.002	0 0.766	1,833	0.076

a. Dependent Variable: ABS_RES

Table 6. Determination Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.758 [a]	0.574	0.533	0.77243	1.766

a. Predictors: (Constant), Dividend Policy (X3), Investment Decision (X1), Funding Decision (X2)
b. Dependent Variable: Firm Value (Y)

Table 7. F. Statistical Test Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.947	3	8.316	13,938	0.000 [b]
	Residual	18.496	31	0.597		
	Total	43.443	34			

a. Dependent Variable: Firm Value (Y)
b. Predictors: (Constant), Dividend Policy (X3), Investment Decision (X1), Funding Decision (X2)

Table 8. Hypothesis Test Results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-0.412	0.700		-0.589	0.560
	Investment Decision (X1)	0.077	0.020	0.549	3.932	0.000
	Funding Decision (X2)	-0.018	0.117	-0.024	-0.152	0.880
	Dividend Policy (X3)	0.023	0.011	0.323	2,063	0.047

a. Dependent Variable: Firm Value (Y)

CONCLUSION AND RECOMMENDATION

Based on the results of the analysis and discussion that have been described in the previous chapter, it can be concluded that the Price Earnings Ratio (PER) variable has a positive and significant effect on firm value. This means that if the resulting Price Earnings Ratio (PER) increases, it will directly increase the company value of banking companies listed on the Indonesia Stock Exchange in 2018-2020. The variable Debt to Equity Ratio (DER) has a negative and insignificant effect on firm value. This means that if the resulting Debt to Equity Ratio (DER) decreases or changes, it will not directly affect the company value of banking companies listed on the Indonesia Stock Exchange in 2018-2020. The Dividend Payout Ratio (DPR) variable has a positive and significant effect on firm value. This means that if the resulting Dividend Payout Ratio (DPR) increases, it will directly increase the company value of banking companies listed on the Indonesia Stock Exchange in 2018-2020.

Based on the results of the conclusions in this study, the suggestions that can be given are considering the influence of the Price Earnings Ratio (PER), and the Dividend Payout Ratio (DPR), the company must pay attention to these factors so that the value of the company increases, and also better able to attract investors to invest their capital. For investors, before investing their share capital in the company, they should be able to consider or conduct a fundamental analysis first of the company's financial statements by looking at the value of the company's Price Earnings Ratio (PER) and Dividend Payout Ratio (DPR), in order to get a return or profit from the company faster investment made.

For further research, it is expected to increase the number of independent variables used, such as the current ratio, assets turnover, net profit margin, so that the results obtained are better and can be used to predict the value of the company for the long term and the results obtained are more convincing. For further research, it is expected to extend the observation period to 5 years, so that the number of samples will be even more and the research results will be better.

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