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The Effect of Financing Decisions, Investment Decisions, and Asset Management Decisions on Company Value with Dividend Policy as Moderating Variable in Go Public Companies in Indonesia

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ABSTRACT

Competition in the highly competitive business world demands the ability of company managers to implement business strategies appropriately so that company goals can be achieved. A good company's financial performance will have an impact on increasing the value of a company. This increase in company value is a positive signal that will attract investors to invest their funds in the company in the hope that they will get dividends. The purpose of this study was to determine the effect of funding decisions on firm value, the effect of investment decisions on firm value, the effect of asset management decisions on firm value, dividend policy in moderating the effect of funding decisions on firm value, dividend policy in moderating the effect of investment decisions on firm value, dividend policy in moderating the effect of asset management decisions on firm value. The research method used is a quantitative method with multiple linear regression analysis techniques. The study population uses publicly-traded companies on the Indonesian stock exchange. The research sample used companies included in the LQ45 index on the IDX during 2016-2018 as many as 34 companies. Sampling was carried out using non-random sampling techniques, with purposive sampling method, namely sampling based on the subjective considerations of the researcher where there are conditions that must be met by the sample. Based on the research results, it can be concluded that funding decisions, investment decisions, and asset management decisions affect firm value. Dividend policy is not able to moderate the interaction between funding decisions and asset management with firm value but can moderate the interaction between investment decisions and firm value.

Keywords: Financing decisions, investment, asset, and firm value.

Introduction

The rapid development of the business world is accompanied by intense competition between companies. Competition in the business world demands the ability of company managers to implement business strategies quickly and precisely so that company goals can be achieved. Companies that have gone public have the main objective of improving shareholder welfare by optimizing company value. Financial management is all activities or activities of a company related to how to obtain working capital funding, use or allocate funds, and manage assets owned to achieve company goals. The objective of financial management is to maximize the value owned by the company or provide added value to assets that are owned by the company. owned by shareholders (Adrianingtyas & Sucipto, 2019). Management of resources effectively and efficiently is necessary

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for the sustainability of the company and to achieve the company's competitive advantage. Company management through financial managers is tasked with performing financial management functions in making financial decisions to achieve the main goals of the company. The company's financial management decisions include funding decisions, investment decisions, and asset management decisions. So, the main goal of the company is to increase the prosperity of the owner by increasing the value of the company by making important financial decisions effectively and efficiently.

Capital structure theory explains that the company's funding policy in determining the capital structure aims to optimize firm value. Signaling theory shows an action by company management that provides clues (signals) to investors and creditors about how management views the company's prospects or company's future growth. The use of dividends as a sign of an announcement stating that a company has decided to increase dividends per share may be interpreted by investors as a good signal because a higher dividend per share indicates that the company believes future cash flows will be large enough to bear the rate. high dividends (Maulana et al, 2016). Funding decisions are decisions related to financial improvements from various sources, financial decisions including types of financial sources, financing periods, funding costs, and yields. Capital structure is a balance or comparison between the amount of long-term debt with its capital. The capital structure relates to the selection of sources of funds, both from inside and outside the company, which greatly affects the value of the company. Based on the capital structure theory, if the position of the capital structure is above its optimal capital structure target, any increase in debt will decrease the firm's value.

The funding decision in this study uses the proxy Debt to Equity Ratio (DER). The debt to equity ratio is the solvency ratio used to measure the company's ability to meet long-term obligations if the company is liquidated. Research conducted by Savitri (2017) states that DER has a positive effect on firm value. Investment decisions, namely decisions about investment both from inside and outside the company. Investment decisions include investing in fixed assets which are usually referred to as capital budgeting and investing in current assets which are usually referred to as working capital. Based on the signaling theory, investment spending provides a positive signal for investors and creditors that the company will grow in the future. The investment decision in this study uses a Price Earning Ratio (PER) proxy. The price earning ratio is a market ratio that is used to measure how much the ratio between the company's stock price and the profits obtained by shareholders. Research conducted by Kurnianto and Asakdiyah (2016) states that PER has a positive effect on company value. Asset management decisions are decisions related to managing various assets owned by the company so that they can operate effectively and efficiently and not become an additional burden for the company. Asset management decisions in this study use the proxy Return On Assets (ROA). Return on assets is a profitability ratio that is used to measure the company's ability to generate profits from the total assets used. Research conducted by Savitri (2017) states that ROA has a positive effect on firm value.

Firm value is the investor's perception that describes how well the management manages the company, which can be seen from the company's performance, namely financial performance, and non-financial performance. The company value is the price a prospective buyer is willing to pay if the company is sold, the higher the company value the greater the prosperity the owner will receive (Savitri, 2017). Company performance appraisal using financial measures is more often used because it has potential comparison standards, either in the form of past financial reports or with other similar companies' financial reports. Financial performance is the recognition of income and the association of expenses that will result in higher profit figures than cash flows (Subramanyam, 2017). Financial performance is the result obtained from the company's operating activities. Every company wants financial performance which always increases from year to year.

Tobin's Q is an indicator that can be used to measure a company's financial performance, especially regarding company value. Tobin's Q was developed by Prof. James Tobin in 1967. Tobin's

Q is a measure of management effectiveness in empowering economic resources in his power. The measurement is that if the value of Toxin's Q is more than one, it means that the investment of assets owned by the company can make a profit, so that it will create an incentive for new investment, but if the value is less than one, it means investing in the company's assets is less attractive. Investors need Tobin's Q information to find out whether the company is growing, not growing (stagnating), or even declining, so they can decide what to do in those conditions. Tobin's Q is the ratio of the market value of the company's assets as measured by the market value of the number of outstanding shares and debt (enterprise value) to the replacement cost of the company's assets, if the company has a value greater than its previous base value, it will have a cost to increase it back, and a profit is likely to be made. Based on Tin's Q's thinking, the incentive to create new investment capital is high when stocks that provide future returns can be sold at a price higher than the investment cost. Tobin's Q is an indicator for measuring company performance, especially regarding company value, which shows a management's performance in managing company assets. Tobin's Q can also be used to measure the company's performance in terms of the potential market value of a company (Rahmawati et al., 2015). Based on this background, this study aims to determine the ability of dividend policy to moderate funding decisions, investment decisions, and asset management decisions on firm value.

Material and Methods

Explanatory research is research that is based on a theory or hypothesis that will be used to test a phenomenon. This research uses explanatory research with a quantitative approach to determine the effect of funding decisions, investment decisions, and aria management decisions on firm value. The type of data used is secondary data in the form of annual report data for companies listed on the Indonesia Stock Exchange (IDX) through its official website, namely www.idx.co.id. Secondary data is research data obtained from records or other pre-existing sources (Algifari, 2015).

The population is a whole collection of elements that show certain characteristics that can be used to make conclusions (Sugiarto, 2017). The research population used is companies on the IDX that are members of the LQ45 index during the period 2016 - 2018. Sampling was carried out using purposive sampling, namely sampling based on criteria. The research sample was 34 issuers.

The method of analysis in this study uses moderated regression analysis or interaction test analysis. Based on the dependent and independent variables in the study, the equation model can be compiled as follows:

$Y = \alpha + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + \beta5X1X2X3X4 + e$

Information:

Y = Firm Value (Tobin's Q)

X1 = Funding decision (Debt to Equity Ratio)

X2 = Investment decision (Price earning ratio)

X3 = Asset management decision (Return on Asset)

X4 = Dividend Policy (Dividend Payout Ratio)

e = Standard error

Results and Discussion

Results

Multicollinearity

Multicollinearity is a test that is carried out to determine whether in a regression model there is intercorrelation or collinearity between independent variables. Intercorrelation is a linear relationship or a strong relationship between one independent variable and another in a regression

model. Intercorrelation can be seen by the value of the correlation coefficient between the independent variables on the Variance Inflation Factor (VIF) value and the tolerance value.

Table 1. Multicollinearity test

Model	Collinearity Statistic	
	Tolerance	VIF
DER	0,991	1,009
PER	0,952	1,051
ROA	0,960	1,042

Based on table 1, shows that the VIF value is less than 10 of each variable used, namely funding decisions, investment decisions, and asset management decisions, so it can be concluded that in the regression model used there is no multicollinearity symptom between variables.

Heteroscedasticity

Heteroscedasticity is a variant of the residuals from one observation to another having different variants. A good regression model does not have heteroscedasticity. This heteroscedasticity test uses the Spearman rank correlation between the residuals and all independent variables.

Table 2. Heteroscedasticity Test

Model	Unstandardized Residual
DER	0,396
PER	0,106
ROA	0,060

Based on table 2, it shows that the independent variable and the moderating variable have the probability of significance above the significance used, which is greater than 0.05, so it can be concluded that the regression model used does not have heteroscedasticity symptoms.

Autocorrelation

Autocorrelation is the correlation between confounding error in period t and confounding error in period t-1 (previous). The watson durbin test will produce a Durbin Watson (DW) value which will later be compared to the Durbin Upper and Durbin Lower values. Based on the DW table with a significance level of 0.05 and the number of variables as much as 4 (k = 3) and the number of samples of 102 (n = 102), it can be seen that dL = 1.592; dU = 1.756; 4 - dU = 2,224 and 4 - dL = 2.408. The DW value of 1.836 is between dU and 4 -dU, it can be concluded that the regression model used does not occur autocorrelation.

Moderated regression analysis

Table 3. Moderating Regression

Model	Unstandardized Coefficients		Sig.
	B	Std. Error	
Interaction 1	1,41E-005	0,000	0,939
Interaction 2	0,005	0,002	0,046
Interaction 3	0,001	0,000	0,162

Discussion

The interaction variable 1 has a significance value of 0.939 which means that dividend policy is not able to moderate the effect of funding decisions on firm value. Investors tend to see more about how company management is fully responsible for managing funds from the capital structure effectively and efficiently to create value for the company so that the size of the capital structure and dividend policy does not affect the company value.

The interaction variable 2 has a significance value of 0.046 which means that dividend policy can moderate the effect of investment decisions on firm value. Dividend policy can strengthen the effect of investment decisions on firm value. Investment decisions can provide a signal to investors and creditors that the investment expenditures made by the company can produce a higher rate of return than the cost of capital incurred and dividend distribution for investors can reflect the level of company profits so that these two things play a role in optimizing company value.

The interaction variable 3 has a significance value of 0.162, meaning that dividend policy is not able to moderate the effect of asset management decisions on firm value. Dividend policy is unable to strengthen or weaken the effect of asset management decisions on firm value. Asset management based on the level of profit is not the only important thing for investors to see the company's performance, instead, the very high return and dividend distribution indicates the use of a very large level of debt which will later become a burden for investors and companies in the future, so that the continuity of growth becomes slow and affect the value of the company.

Conclusion

The results of the study can be concluded that:

1. Dividend policy is unable to moderate the relationship between funding decisions and firm value.
2. Dividend policy can moderate the relationship between investment decisions and firm value.
3. Dividend policy is unable to moderate the relationship between asset management decisions and firm value.

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