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OPTIMIZING FIRM VALUE THROUGH INVESTMENT DECISIONS: THE ROLE OF DIVIDEND POLICY AS A MEDIATING VARIABLE

Oki Sania Riski[1*], Rika Lidyah[2], Titin Hartini[3], Rahmi Aminus[4], Meilinda Anggreni[5]
Universitas Islam Negeri Raden Fatah Palembang[1,2,3,5]
Universitas Palembang[4]
Corresponding Email: okisaniariski_uin@radenfatah.ac.id

ABSTRACT

The objective of this research is to examine how investment decisions affect firm value in manufacturing companies, considering dividend policy as a mediating variable in the Indonesian Shariah Stock Index (ISSI). Firm value represents investors perception of a company. A high firm value indicates that investors believe the company has the potential to generate good profits in the future. This can provide confidence to investors that they can obtain a good return on their investment by investing in the company. The method used in this research is a quantitative approach with secondary data collected from the official website of the Indonesia Stock Exchange. The research sample consists of manufacturing companies listed on the Indonesia Stock Exchange, selected using purposive sampling method. The analysis technique employed is path analysis, using the Statistical Package for the Social Sciences (SPSS) software program. The research results indicate that, directly, the investment decision variable does not have an impact on the company's value, while the dividend policy affects the company's value. The dividend policy variable is able to mediate the influence of investment decisions on firm value. This suggests that prior to making investment decisions, investors will consider selecting companies that distribute dividends to shareholders. If a company increases dividend payments, investors will perceive it as a signal of optimistic expectations regarding the future financial performance of the company's management.

Keywords: *Firm Value, Dividend Policy, Investment Decision.*

INTRODUCTION

The purpose of establishing a company is to get maximum profit and optimize profits as much as possible, by increasing the value of the company. Increasing company value contributes to increasing the level of investor confidence in the company entity (Wibowo, 2018). This phenomenon arises as a result of investors' positive assessment of the company's potential performance in the future, which is reflected in high and stable stock prices. Company value can be defined as market value. Market value is a market perception that comes from shareholders, creditors and other stakeholders on the condition of the company which is reflected in the market value of the shares which can be a measure of company value (Jesilia & Purwaningsih, 2020).

One of the manufacturing companies that experienced a decline in share prices was ASII (PT Astra International Tbk). ASII was one of the stocks that held back the JCI movement in August 2019. Within one month, ASII's share price fell 5.65% to IDR 6,675 per share. Based on Astra's financial report, this company's net income still grew by 3% compared to the same quarter the previous year. Meanwhile, ASII's profit fell 6.77% yoy to IDR 12.3 trillion. This decrease in profit was due to the decline in the automotive, agribusiness and information technology segments(Benedicta Prima, 2019).

Based on this phenomenon, supporting factors are needed to maximize the share price of a company. The share price as a representation of the company's value can be determined by three factors, namely the company's internal, external, and technical factors. Internal and external factors of the company are factors that are often used as the basis for making decisions by investors in the capital market. While technical factors are more technical and psychological in nature, such as stock trading volume, stock trading transaction value, and the tendency of stock prices to fluctuate (Jesilia & Purwaningsih, 2020).

To achieve company goals in optimizing company value, managerial roles have a fundamental influence in increasing company value. Company managers have responsibility for making financial decisions which include aspects of investment decisions, making funding decisions, and dividend distribution (Tridewi, 2014). For managers, the value of a company is a measure of the work that has been done. Investors are interested in investing by increasing the stock price of a company because the company's value is a good impression of the company and investors already know the general description of the company (Sari et al., 2022). Investment decisions are important for the financial function of a company. Because, apart from determining the composition of the company, achieving the goals of a company can be achieved through company investment activities and company capital investment, which is one of the main aspects in investment decisions besides determining the composition of assets. (Ismanto & Zulfiara, 2020). Research by (Tridewi, 2014) and (Sari et al., 2022)states that investment decisions influence company value.

In addition to investment decisions, managers are also responsible for dividend decisions in a company. Dividends can show the company's stability and future prospects to outsiders, especially investors who will invest in the intended company. Then dividends can also show how the state of the company's financial performance. Dividends distributed is one strategy to increase stock prices. Share prices increase. along with the increase in dividends If the company pays dividends, the value of the company will increase and the stock price will also increase. Vice versa if the company reduces the distribution of dividends, then the company's condition will be bad and lower the stock price (Ovami & Nasution, 2020). Research by (Bayu Ganar et al., 2018) and (Senata, 2016) states that dividend policy influences company value.

THEORY, LITERATURE REVIEW, AND HYPOTHESIS

This research uses the signal theory proposed by Brigham and Huston which states that a signal is an action taken by company management that provides clues to investors about how management views the company's prospects. This signal is in the form of information that provides information, notes or descriptions, both for past, present and future conditions for the survival of the company and the welfare of share owners (santika oktaeni, 2021). Signaling theory states that investment spending provides a positive signal about the company's future growth, thereby increasing share prices as an indicator of company value(Kurniawan & Mawardi, 2017). Apart from that, dividend policy is often seen as a signal for investors to assess a company. This is because dividend policy can affect the company's share price. An increase in the amount of dividends is believed to be a signal that financial management predicts good earnings in the future, because a higher dividend per share indicates that the company believes that future cash flows will be large enough to bear a high dividend rate.

The Effect of Investment Decisions on Dividend Policy

The theory underlying investment decisions and dividend policy is signaling theory. The theory states that investment spending provides a positive signal for the company's growth in the future, thus increasing stock prices as an indicator of company value. Likewise with dividend policy, stable dividend payments can indicate that the company's finances are in a very strong condition so that they are able to pay dividends. Research conducted (Fitriani et al., 2017) shows that investment decisions affect dividend policy. Similar research results were also obtained (Putri et al. 2018) which stated that investment decisions affect dividend policy.

The Effect of Dividend Policy on Firm Value

The theory underlying dividend policy is signaling theory, this theory reveals that dividends contain signals about the company's prospects. If a company increases dividend payments, it will be interpreted by investors as a signal of hope about the good performance of the company's financial management in the future. Dividend policy is an important policy because it can determine how much profit shareholders will get. The profits to be obtained by these shareholders will determine the welfare of the shareholders which is the main goal of the company. The greater the dividends distributed to shareholders, the better the performance of the issuer or company, which is usually reflected in the company's share price. In the research carried out (Yuliariskha, 2012) states that dividend policy influences company value and (Senata, 2016)also found that dividend policy has an effect on firm value.

The Effect of Investment Decisions on Firm Value

Signaling theory states that investment expenditure provides a good signal for future company growth, thereby increasing company value. Companies can increase company value by reducing asymmetric information, namely by providing signals to outside parties, one of which is in the form of reliable financial information which will reduce uncertainty regarding the company's future prospects so as to increase the company's credibility and achievements. In the research carried out(Laksmiwati, 2017)states that investment decisions influence company value. The same thing was also conveyed(Burhanuddin, 2018)in his research which shows that investment decisions have an influence on company value

The Effect of Investment Decisions on Company Value mediated by Dividend Policy

Investment decisions are decisions that reflect investment opportunities in the future (investment opportunity). Investment decisions will have an impact on the company's performance in the long term while management has enormous freedom in using company cash. Based on signaling theory, capital investment is a signal that can be used by financial managers to show that the company has high performance prospects which are reflected in company value.Based on signaling theory, if a company increases dividend payments, it will be interpreted by investors as a signal of hope about the good performance of the company's financial management in the future.

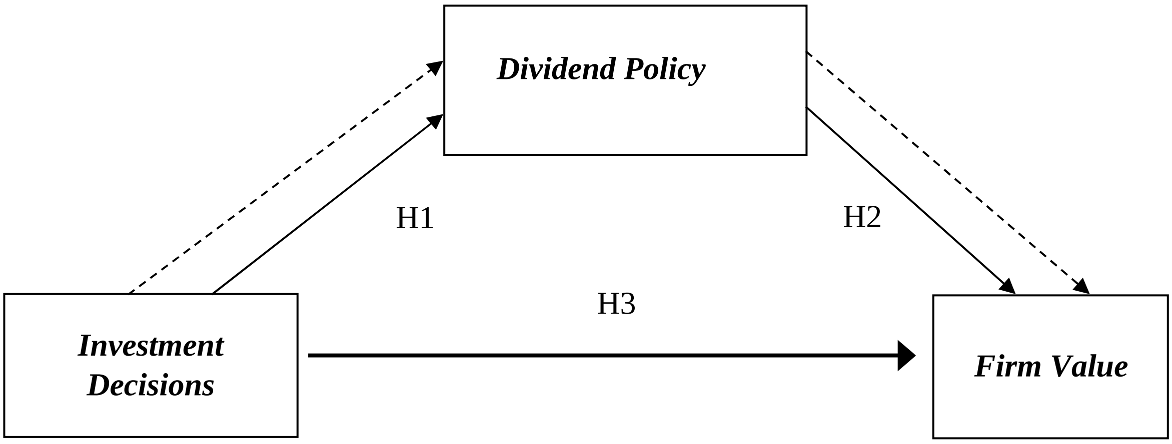
RESEARCH METHODS

The type of data used in this research is quantitative data. The data obtained in this study is in the form of data that has been collected and processed by other parties, the data is already in the form of published financial reports. Data analysis uses the SPSS (Statistics Package for Social Sciences) program and the data used is the company's annual report within a period of 3 years obtained from IDX or the website of each company. After the data is obtained, it is then analyzed using SPSS (Statistics Package for Social Sciences). This study uses path analysis (path analysis). Path analysis is an extension of multiple regression. Therefore, in this study, it is also necessary to test the classical assumption.

1. Manufacturing companies listed on the Indonesian Sharia Stock Index (ISSI) for the research period
2. The company did not experience delisting

3. Companies that issue dividends during the research period

Figure 1
Research Models



Source: Compiled from various sources, 2023

RESULTS AND DISCUSSION

Table 1
Classical Assumption Test

Classical Assumption Test	Provisions	Results				
Normality Test (Jarque Bera)	C^2 count < C^2 table	Equation 1	25,331 < 44.99			
	C^2 count < C^2 table	Equation 2	38.115 < 43.77			
Linearity Test	R Square≤ 0.05	Equation 1	0.000			
		Equation 2	0.006			
Multicollinearity Test (Tolerance and VIF)	tolerance or≥ 0.10 VIF≤ 10	X1	tolerance	0.857	VIF	1,190
		M	tolerance	0.857	VIF	1,190
Autocorrelation Test *(Run Test)*	asymp. Sig.≥ 0.05	Equation 1	0.165			
		Equation 2	0.473			
Heterocedasticity test (Park Test)	Sig≥ 0.05	X1	0.285			
		M	0.663			
		Y	0.470			

Source: SPSS Output, 2023 (reprocessed data)

Table 1 on the calculated chi square values for equation 1 and equation 2 > from the chi square table, it can be concluded that the data is normally distributed. The R square value for the linearity test for equation 1 is 0.000 <0.05 and equation 2 is 0.006 <0.05, so it can be concluded that in this study it occurs linearly. The factor inflation variance (VIF) value for the independent variable <10 and the tolerance value > 0.10 for equation 1 and equation 2, it can be concluded that in this study there was no multicollinearity. Asymp. Sig for equation 1 is 0.165 > 0.05and equation 2 is 0.473 > 0.05, it can be concluded that the regression model does not have autocorrelation. The significance value of the Park test in this study shows that all variables have a significance value of > 0.05, and it can be concluded that in this study there was no heteroscedasticity.

Table 2
Hypothesis Test Results

Hypothesis Test	**Provisions**	**Results**				
T-Test (Partial)	t-count)≥ t – table)	X	M	2,364	Sig.	0.025
	t table = 2.042	M	Y	2,377	Sig.	0.024
	Sig.≤ 0.05	X	Y	0.261	Sig.	0.769
Coefficient determination (R2)	R Square	Equation 1		0.125		
		Equation 2		0.143		

Source: SPSS Output, 2023 (reprocessed data)

Based on table 2 for the investment decision variable on dividend policy, a significant number < α = 0.05 is obtained, so H1 is accepted. The dividend policy variable on firm value also obtained a significant figure < α = 0.05, so H2 is also accepted. While the investment decision variable on firm value obtained a significant figure > α = 0.05, then H3 is rejected. The R square (R2) value in equation 1 is 0.125, meaning the influence of investment decisions on company value is 12.5% and equation 2 is 0.143, meaning the influence of investment decisions on company value through dividend policy is 14.3%. As a comparison, the rest are influenced by variables outside the regression model.

The Effect of Investment Decisions on Dividend Policy

Based on research results, investment decisions influence dividend policy. Influential investment decisions show that increasing investment will increase a company's dividend policy. In line with signaling theory, investors or outside parties need more information to make a decision. Company management wants to provide information to the public that the company has good prospects so that people are more interested in investing in the company. If a company can attract people to invest in its company, it will be easier for the company to obtain additional capital to finance existing investment opportunities. The results of this study are consistent with research conducted by (Tridewi, 2014; Fitriani et al., 2017; Yuliariskha, 2012) which states that investment decisions influence dividend policy.

The Effect of Dividend Policy on Firm Value

Based on research results, dividend policy influences company value. Dividends are the distribution of profits to shareholders by a company. Dividends must be in accordance with the company's needs and the needs of shareholders. By paying reasonable dividends, the company will gain high trust from investors and this can help maintain company value. The results expected by investors are in the form of dividends and an increase in share value. The results of this research are in line with signal theory which states that an increase in dividend payments is seen as a signal that the company has good prospects. This supports research conducted by (Bayu Ganar et al., 2018; Senata, 2016; Yuliariskha, 2012) that dividend policy influences company value.

The Effect of Investment Decisions on Firm Value

Investment decisions do not have a significant effect on company value. The results of this research do not support the signal theory which explains that an increase in investment spending is a signal to investors that company management predicts good profits in the future. This shows that investment spending does not convey information about the company's future value and good company prospects. The results of this study are consistent with research conducted by(Jesilia & Purwaningsih, 2020) which states that investment decisions do not have a significant effect on company value.

The Effect of Investment Decisions on Company Value mediated by Dividend Policy

The results of the study show that dividend policy mediates the effect of investment decisions on firm value. Investment decisions as an independent variable in this research are unable to influence company value directly without involving dividend policy, so this research model is included in the full mediation category. This is obtained by multiplying the influence of investment decisions on dividend policy (path analysis 0.4204 and significant) with the direct influence of dividend policy on firm value (path coefficient 0.7037 and significant). The results of these calculations produce an indirect effect of 0.3788. According to signaling theory, Capital investment is a signal that can be used by financial managers to indicate a company's positive performance prospects, which is reflected in the company's value. In line with this theory, if a company increases dividend payments, this is interpreted by investors as a signal regarding confidence in the company's better financial management performance in the future.

FINDINGS AND CONCLUSION

Based on the results of research data analysis carried out by researchers, it can be concluded that the results of each research variable are as follows: Directly, the investment decision variable does not affect the company's value, while the dividend policy affects the company's value. The dividend policy variable is able to mediate the effect of investment decisions on firm value. Thus, before making investment decisions, investors tend to choose companies that provide dividends to shareholders. If a company increases dividend payments, this action will be considered by investors as a sign of optimism regarding the company's financial management performance in the future.

IMPLICATIONS, LIMITATIONS AND SUGGESTIONS

The implication of this research is that if a company makes the right investment decisions, the company has the potential to increase company growth which in turn can raise company value through increasing future prospects and operational performance. On the other hand, a wise dividend policy, taking into account the balance between dividend payments and profit retention for investments, can strengthen relationships with shareholders, reflect the company's financial stability, and positively influence perceptions of the company's value. The two are intertwined in creating a solid foundation for increasing company value, with smart investments supporting the foundation of long-term growth and a good dividend policy strengthening investment attractiveness and shareholder confidence.

This research also has limitations in that only internal company factors are used as independent variables influencing company value. Therefore, for future research, it is recommended to add variables related to the company's external conditions which are thought to also have an impact on company value, such as inflation rates, interest rates, currency exchange rates, socio-political situations, and other aspects.

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