

THE EFFECT OF INVESTMENT DECISIONS AND DIVIDEND POLICIES ON COMPANY VALUE

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ABSTRACT

This study aims to see the influence of investment decisions measured by Price Earning Ratio (PER) and dividend policy measured by Dividend Payout Ratio (DPR) on company value measured by Price Book Value (PBV). The sample of this study consisted of 11 companies included in the LQ-45 group listed on the Indonesia Stock Exchange (IDX). This study uses classical assumption tests (normality test, multicollinearity test, heteroscedasticity test, autocorrelation test) and hypothesis with multiple linear regression test which shows that all variables used have been free of multicollinearity, heteroscedasticity, autocorrelation and all these variables are normally distributed. In addition, this study used SPSS version 21.00. The results of this study show that partially investment decisions have a significant effect on company value and dividend policy does not have a significant effect on company value. However, simultaneously all independent variables in this study have a significant effect on the value of the company.

Keywords: Investment Decisions, Dividend Policy, and Company Value

INTRODUCTION

The company has a goal to achieve maximum profits, prosper shareholders or company owners, and maximize company value. To achieve a goal, the company needs funds to finance all its operations. Funds are obtained from the owner's capital, retained earnings, or come from outside the company in the form of loans. Large market control is a sign that the company is considered to have a fairly good credibility in the eyes of investors. The capital market is used as a medium by companies to sell their shares to the public. Therefore, the presence of the capital market is very instrumental for the development of a company other than banking. The capital market provides a variety of long-term financial instruments that can be traded, both debt securities (bonds), stocks, mutual funds, derivative instruments and other instruments. Company value is one of the indicators in the capital market that is a concern for investors in making decisions. Companies that have gone public then the value of the company will be reflected in its share price, so that increasing the high value of the company will be the company's *long-term* goal. Increasing the value of the company can cause the welfare of shareholders to increase. Basically, the purpose of financial management is not only to record, make reports, control cash positions, pay bills, and find funds, but also invest funds, manage the optimal combination of sources of funds, and distribute profits (dividend distribution) in order to increase company value (Sutrisno, 2013: 3). Financial managers must correctly formulate strategic goals into short-term goals. Therefore, financial managers are required to be able to make adjustments as early as possible and make decisions appropriately, effectively and efficiently. Investment decisions are one of the factors that can affect the value of the company because investment decisions are strongly influenced by the availability of funds in the company both from internal and external sources. The financial manager should help the company identify promising projects and decide how much to invest in each project.

A dividend policy is a policy to distribute or not distribute profits to shareholders. Dividend policy can affect the value of the company because for investors dividend distribution is very important to assess and analyze the possible results obtained from the investment. Investors have the main goal to improve welfare, namely by expecting returns in the form of dividends and *capital gains*. This study was conducted to determine the effect of PER on the PBV of companies belonging to the LQ-45 group on the Indonesia Stock Exchange. To find out the influence of the DPR on the PBV of companies belonging to the LQ-45 group on the Indonesia Stock Exchange. To determine the influence of PER and DPR together (smultan) on the PBV of companies belonging to the LQ-45 group on the Indonesia Stock Exchange.

LITERATURE REVIEW

Grand Theory

Stakeholder theory

Stakeholders of organizational management theory are expected to carry out activities that are considered important by stakeholders and report back these activities to stakeholders, all stakeholders have the right to obtain information about how these activities are carried out to stakeholders. All stakeholders have the right to be informed about how organizational activities affect them, even when they cannot directly play a role in the survival of the organization (Deegan, 2004). Financial management is the overall activity related to efforts to obtain funds and use or allocate these funds (Bambang Riyanto, 2013: 4). Financial management or often called *spending* can be interpreted as all company activities related to efforts to get company funds at low costs and efforts to use and allocate these funds efficiently (Sutrisno, 2013: 3). Financial management is concerned with asset acquisition, funding and asset management based on several general objectives. So, the decision function in financial management can be divided into three main areas: investment, funding, and asset management (James C. Van Horne and John M. Wachowicz, 2014: 2).

Company Value

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 years, namely since the company was established until now (Keown et al, 2000: 555). Increasing the value of the company is an achievement, which is in accordance with the wishes of the owners, because with the increase in the value of the company, the welfare of the owners will also increase. Company value is very important because with high company value will be followed by high shareholder prosperity. High company value can increase prosperity for shareholders, so shareholders will invest their capital in the company.

Investment Decisions

Investment is the postponement of present consumption to be put into productive assets over a certain period of time (Jogiyanto, 2010: 5). Goals are necessary to achieve effectiveness and efficiency in decisions. In the field of investment achieved are:

1. Creating sustainability in these investments
2. The creation of maximum profit or expected profit.
3. Creating prosperity for shareholders.
4. Contribute to nation building.

Investment decisions are often referred to as *capital budgeting*, which is the entire process of planning and making decisions regarding the expenditure of funds whose return period exceeds one year or long-term. Investment decision is a description of a decision about how funds owned now are invested in an appropriate institution in order to get a larger amount of assets in the future in accordance with the It is expected, by first looking at the prospect of cash

receipts from investments that have been determined by looking at the balance from various aspects. In the investment management process, there are five steps that must be done, namely:

1. Setting investment goals
2. Creating an investment policy
3. Choosing a portfolio strategy
4. Choose an asset
5. Measure and evaluate performance

Dividend Policy

Dividends are corporate income distributed to shareholders, which is paid outside retained earnings either in *cash* or in the form of shares (Manahan P, 2013: 201). According to Siswandi (2008: 30-31) dividend distribution can be divided into two forms, namely:

1. Cash Dividends. Shareholders are usually given the right to the company's profits, which will be paid periodically.
2. Stock Dividends. The reason for the distribution of stock dividends is usually that management cannot distribute cash dividends because they cannot achieve the expected profits.

Dividend policy *determines* how much of the profit must be paid to shareholders and how much must be reinvested in the company (Darsono, 2010: 204). An increase in dividends signals a favorable change in managers' expectations and a decrease in dividends indicates a pessimistic view of the company's future prospects. *Dividend Payout Ratio* (DPR) is a comparison between dividends paid and net income earned and is usually presented in percentage form (Lubis and Adi, 2012: 242). The higher the dividend payout ratio will benefit investors but from the company's side it will weaken internal *finance* because it reduces retained earnings, but if the *dividend payout ratio* is smaller it will harm shareholders (investors) but *the company's internal financial* is stronger

Research Hypothesis

The hypothesis used in this study is the associative hypothesis. Associative hypothesis is a hypothesis formulated to provide answers to related problems, namely:

- H₁: There is a positive influence between investment decisions on company value partially.
- H₂: There is a positive influence between dividend policy on company value partially.
- H₃: There is a positive influence between investment decisions, and dividend policy on the value of the company together (simultaneously).

RESEARCH METHODS

Data Type and Sumber

The data used in this study is quantitative data. Quantitative data, is a type of data that can be calculated directly, which is in the form of information or explanations expressed by numbers or in the form of numbers. The source of data in this study is secondary data. The data used in this study are financial statements on companies listed in LQ-45 on the Indonesia Stock Exchange.

Population, Sample, and Sampling Techniques

The population used in this study is LQ-45 companies listed on the Indonesia Stock Exchange. The sample in this study amounted to 11 companies for 3 years so that the number of data studied from the period 2015-2017 amounted to 33 data. Sample selection based on purposive

sampling method with the aim of obtaining representative samples in accordance with specified criteria.

Data Collection Methods

The data collection technique used in this study is aapan *Library Research*, which is research conducted by studying scientific books, *websites*, and so on, as a theoretical basis used in writing this thesis and the *Field Research* stage, namely field research to obtain data and information by visiting the University Investment Gallery Prof. Dr. Moestopo (Beragama).

Variable Operational Definition

Operational The variables used in this study are dependent and independent variables. The dependent variable used is in the form of Company Value (*Price to Book value*). The independent variables used are investment decisions (X1) measured using PER (*Price Earnings Ratio*), and dividend policies (X2) measured using DPR (*Dividend Payout Ratio*).

Data Analysis Techniques

Descriptive Statistics

A descriptive test is a statistical test used to systematically describe the facts and characteristics of the object and subject under study precisely. In descriptive statistics it is not to draw a conclusion from the data, but only to see and observe predictions and images of existing data.

Classical Assumption Test

The normality test is to see if the residual values are normally distributed or not. The normality test can be performed by histogram test, P Plot normal test, Chi Square test, Skewness and Kurtosis or Kolmogorov Smirnov test. The multicollinearity test is to see whether or not there is a high correlation between independent variables in a multiple linear regression model. Statistical tools that are often used to test for multicollinearity disorders are by *variance inflation factor* (VIF), pearson correlation between independent variables, or by looking at *eigenvalues* and *condition index* (CI).

The heteroscedasticity test is a statistical test used to see if there is an inequality of variance from one residual to another. Detection of heteroscedasticity can be done by the *scatter plot method* by plotting the ZPRED value (prediction value) with SRESID (its residual value). Statistical tests that can be used are the Glejser test, Park test or White test.

The autocorrelation test aims to test whether in a linear regression model there is a correlation between confounding errors in period t and errors in period $t-1$ (previous). To detect the presence or absence of autocorrelation, it is necessary to use the Durbin-Watson test. The coefficient of determination with the symbol R^2 is the proportion of variability in a data calculated based on a statistical model. In regression R^2 is used as a measurement of how well the regression line approaches the original data value created by the model.

The t test is a statistical test used to partially test each independent variable against the dependent variable. The results of the t test can be seen in the coefficients table in the sig (*significance*) column. Multiple linear regression analysis is an analytical tool to find out and analyze how much influence an independent variable has on the dependent variable. Test F is a statistical test used to determine the effect of independent variables together (simultaneously) on the dependent variable. The results of the F test are viewed in the ANOVA table in the sig column. For example, we use a significance level of 5% (0.05).

RESULTS AND DISCUSSION

Research Results

Descriptive Statistics

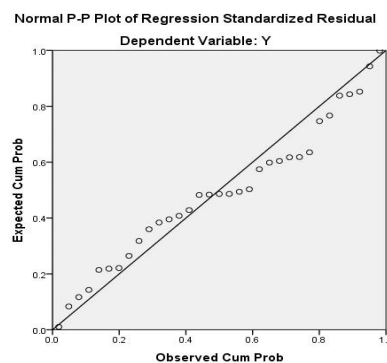
Table of Descriptive Statistical Test Results

	N	Minimum	Maximum	Sum	Mean	Std. Deviations
FOR (X1)	33	5.12	60.89	769.86	23.3291	13.07838
DPR (X2)	33	10.66	99.88	1496.44	45.3467	24.32359
And	33	.95	82.44	262.29	7.9482	18.15859
Valid N (listwise)	33					

Source : SPSS Data Processing version 21.0

Based on the table above, it is known that PER investment decisions have an average of 23.3291 with a standard deviation of 13.07838. The dividend policy (DPR) has an average of 45.3467 with a standard deviation of 24.32359. And the company's value has an average of 7.9482 with a standard deviation of 18.15859.

Classical Assumption Test



Normality Test Image

Source: SPSS 21.0 data processing output

Based on the figure above, it can be seen that the points in the normal probability plot follow a diagonal line, so it is concluded that the residual regression model is normally distributed and the data normality requirements are met. This result can be strengthened by the results of the Kolmogorov – Smirnov test where the p-value of the test result is 0.852 which is greater than the significant level of $\alpha = 0.05$. Then it can be concluded that the residual value satisfies the assumption of the normal distribution.

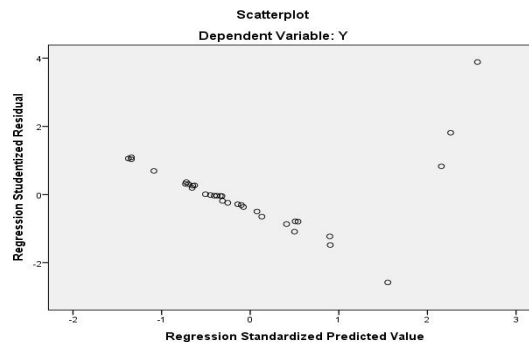
Multicollinearity Test Results Table

Pattern	Non-standard Coefficient		Standard Coefficient	t	Alone .	Collinearity Statistics	
	B	Error Std.	Beta			Tolerance	BRI GHT
(Constant)	-20.595	5.276		-3.904	.000		
1 TO(X1)	.949	.172	.683	5.510	.000	.905	1.105
DPR (X2)	.141	.093	.189	1.527	.137	.905	1.105

a. Dependent Variable: Y

Source : SPSS 21.0 data processing output

Based on the table above, it can be seen that the tolerance value of all independent variables is 0.905 and the VIF value is 1.105. Thus it can be concluded that the regression model indicates the absence of multicollinearity or the assumption of non-multicollinearity is fulfilled.



ZPRED and SRESID Scatter Plot Images

Source : SPSS 21.0 data processing output

From the scatterplot results above show points that spread randomly both above and below the number 0 on the Y axis. Based on this analysis, it can be concluded that there is no heteroscedasticity in the regression model, thus the assumption of non-heteroscedasticity is met.

Autocorrelation Test Table Model Summary^a

Pattern	R	R square	Customized R Square	Std. Estimation Error	Durbin-Watson
1	.763a	.582	.554	12.12035	1.892

a. Predictor: (Constant), DPR (X2), PER (X1)

b. Dependent Variable: Y

Source : SPSS 21.0 data processing output

Based on the table above, it is known that the Durbin-Watson (DW) value is 1.892, where the value is at an interval of 1.5770 (dU) and 2.423 (4-dU). So from these results it can be concluded that the regression model indicates an autocorrelation or the autocorrelation-free assumption in the model is fulfilled. The value dU=1.5770 is obtained in the durbin watson table with n= 33.

Test the hypothesis

Table of Coefficients of Determination

Pattern	R	R square	Customized R Square	Std. Estimation Error	Durbin-Watson
1	.763a	.582	.554	12.12035	1.892

a. Predictor: (Constant), DPR (X2), PER (X1)

b. Dependent Variable: Y

Source : spss processing data output version 21.0

Based on the table above, the value of the correlation coefficient (R) between investment decision variables (X1) and dividend policy (X2) to company value (Y) in LQ – 45 Companies

that have been listed on the Indonesia Stock Exchange for the period 2015 – 2017 is 0.763. This means that the relationship between investment decisions and dividend policies with a company value of 76.3%. The value of the coefficient of determination (R^2) of 0.582 means that the investment decision variables (X_1) and dividend policy (X_2) are able to explain the value of the company (Y) by 58.2%, and the remaining 41.8% is influenced by other factors that are not studied.

Test Results Table t

Pattern	Non-standardized coefficients		Standard Coefficient	T	Alone.
	B	Error Std.	Beta		
(Constant)	-20.595	5.276		-3.904	.000
1 TO(X_1)	.949	.172	.683	5.510	.000
DPR (X_2)	.141	.093	.189	1.527	.137

a. Dependent Variable: Y

Source : Output Data Processing spss version 21.0

In testing the statistical test hypothesis t, the free degree (df) is determined by the formula $n-k$, where n = number of samples while k = number of variables (free and bound). Thus, the value of the free degree with a confidence level of 95% and a significance of 0.05 in this study is $33-3 = 30$ and the t value of the table is 2.042.

Test Table F

Pattern	Sum of Squares	Df	Square means	F	Alone.
Regression	6144.411	2	3072.205	20.913	.000b
1 Time	4407.085	30	146.903		
Entire	10551.496	32			

a. Dependent Variable: Y

b. Predictor: (Constant), DPR (X_2), PER (X_1)

Source : Output Data Processing spss version 21.0

Based on the table, the results of regression of investment decisions (X_1) and dividend policies (X_2) to company value (Y) can be seen that F calculate $20.913 > F$ table 3.32 with a significance value of $0.000 < 0.05$, it can be concluded that investment decisions (X_1) and dividend policies (X_2) simultaneously have a positive and significant effect on the variable Company Value (PBV) (Y) in companies included in the LQ-45 group of properties that have been listed on the Indonesia Stock Exchange period 2015 – 2017.

Multiple Linear Regression Analysis Table

Pattern	Non-standardized coefficients		Standard Coefficient	t	Alone.
	B	Error Std.	Beta		
(Constant)	-20.595	5.276		-3.904	.000
1 FOR (X_1)	.949	.172	.683	5.510	.000
DPR (X_2)	.141	.093	.189	1.527	.137

a. Dependent variable Y

Source : SPSS 21.0 data processing output

The results explained that the result of the PER regression coefficient in the test was 0.949, meaning that PER has a positive influence on PBV, where if the PER value increases by Rp 1, the PBV value will increase by 0.949 assuming other variables do not change. The result of the DPR regression coefficient in the test is 0.141, meaning that the DPR has a positive influence on PBV, where if the DPR value increases by Rp 1, the PBV value will increase by 0.141 assuming other variables do not change.

Research Discussion

Descriptive Statistics

Based on the average value of investment decisions from 11 companies of 23.329 and has a high value of 60.89, while the lowest value is 5.12 with a standard deviation of 13.07838. The average value of dividend policy is 45.3467 and has the highest value of 99.88 while the lowest value is 10.66 and the standard deviation value is 24.32359. The average value of the company is 7.9482 and has the highest value of 82.44 while the lowest value is 0.95 and the standard deviation value is 18.15859.

Classical Assumption Test

Based on the kolmogrov-smirnov test shows the significance that investment decisions, dividend policy and company value are normally distributed and the data used meet the requirements of normality and deserve to proceed to the next test. This result can be strengthened by the results of the Kolmogorov – Smirnov test where the p-value of the test result is 0.852 which is greater than the significant level of $\alpha = 0.05$.

Based on the multicholinerity test, it can be seen that the tolerance value of all independent variables is 0.905 and the VIF value of all independent variables is $1.105 < 10$. Thus it can be concluded that the regression model indicates the absence of multicollinearity or the assumption of non-multicollinearity is fulfilled.

Based on the heteroscedasticity test, it shows a pattern of dots on the regression graph that spread randomly. Based on this analysis, it can be concluded that there is no heteroscedasticity in the regression model, thus the assumption of non-heteroscedasticity is fulfilled.

Based on the autocorrelation test, the Durbin-Watson (DW) value is 1.892, where the value is at an interval of 1.5770 (dU) and 2.423 (4-dU). So from these results it can be concluded that the regression model indicates an autocorrelation or the autocorrelation-free assumption in the model is fulfilled.

Test the hypothesis

Based on the results of the determination value (R^2) of 0.582 or 58.2% which shows that the investment decision variables (X_1) and dividend policy (X_2) are able to explain the value of the company (Y) by 58.2% and the rest by 41.8%. influenced by other factors not included in the study.

Based on the significance number of $0.00 < 0.05$ and the calculated t value of $5.510 > \text{the table t value of } 2.042$. This means that there is a significant influence between investment decisions measured using *Price Earning Ratio (PER)* to company value measured using *Price to Book Value (PBV)*. From these results can be concluded the first accepted hypothesis.

Based on the significance number of $0.137 > 0.05$ and the calculated t value of $1.527 < \text{the table t value of } 2.042$. This means that there is no significant influence between dividend policy measured using *Dividend Payout Ratio (DPR)* and company value measured using *Price to Book Value (PBV)*. From these results it can be concluded that the second hypothesis is rejected.

Based on the F value, calculate 20.913 and the significant value is 0.000. Where the calculated F value of 20.913 is greater than the F_{table} of 3.32 and the significant value of $0.000 < 0.05$ so that it can be concluded that there is a significant influence between investment decisions measured by Price Earning Ratio (PER), and dividend policy measured by Dividend Payout Ratio (DPR) to company value measured by Price to Book Value (PBV) Ratio by being together.

The results of the equation above can be explained that the results of the PER regression coefficient in the test of 0.949 means that PER has a positive influence on PBV where if the PER value increases by Rp 1, the PBV value will increase by 0.949 assuming other variables do not change. The result of the DPR regression coefficient in the test is 0.141, meaning that the DPR has a positive influence on PBV, where if the DPS value increases by Rp 1, the PBV value will increase by 0.141 assuming other variables do not change.

CONCLUSION

The results of the study stated that the results of the t test (partially) Investment Decisions proxied with PER had a significant influence on company value (PBV) in companies included in the LQ-45 group on the Indonesia Stock Exchange for the period 2015 – 2017 with a calculated t value of $5.510 > t_{table}$ of 2.042 and with a significance level t_{count} of $0.000 < 0.05$. Result of t test (partially) Dividend policy proxied with DPR There is no significant influence on company value (PBV) in companies included in the LQ-45 group on the Indonesia Stock Exchange for the period 2015 – 2017 with a calculated t value of $1.527 < t_{table}$ of 2.042 and with a significance level t_{count} by $0.137 > 0.05$. The results of the F test (simultaneous testing) show that investment decisions and dividend policies together have a significant effect on the value of companies included in the LQ-45 group on the Indonesia Stock Exchange for the period 2015 - 2017. This is proven through the results of testing between investment decisions that are proxied with.

The results of this research are expected to be able to become reference material for the development of financial science and can add to studies in the field of finance by understanding opportunities for investment and dividends in order to increase the value of the company properly and as much as possible. This research was conducted using company data in a relatively short period, namely 2015 – 2017 with an unstable economic situation and only in companies that are included in the LQ-45 group. So that future research is expected to add a longer period of time with different economic conditions and in a wider company sector. The dividend distributed by the GMS decision to financial analysts is a factor to calculate the value of the company, so transparent information from the company is needed. Further research is expected to be carried out by adding other variables that are not included in this study that may have a significant effect on company value such as funding decisions, ownership structure, profitability, and others.

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