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## **THE INFLUENCE OF INVESTMENT AND FUNDING DECISIONS ON COMPANY VALUE WITH INTERVENING VARIABLES OF DIVIDEND POLICY IN COMPANIES LISTED ON THE JAKARTA ISLAMIC INDEX**

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### **Abstract**

The purpose of this study is to analyze and apply the influence of investment decisions and funding decisions on company value in companies listed in the Jakarta Islamic Index and to analyze and apply the influence of investment decisions and funding decisions on company value with intervening variables of dividend decisions in companies listed in the Jakarta Islamic Index. The population in this study is companies listed in the Jakarta Islamic Index (JII) for the 2017-2022 period. Research samples with purposive sampling method amounted to 7 from 30 companies. The data was analyzed using linear regression with the Eviews application. The results showed that Investment decisions and funding decisions have a positive and significant influence on Dividend Policy, Investment Decisions and Funding decisions have no and insignificant effect on company value, dividend policy Intervening investment decisions and funding decisions on company value in companies listed in JII for the 2017-2022 period.

**Keywords:** investment; funding; company value; dividend

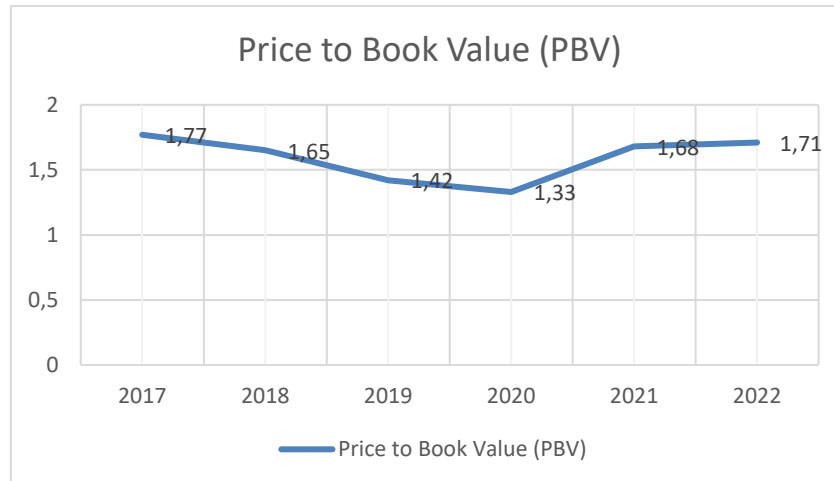
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### **INTRODUCTION**

Company value is an investor's perception of the manager's success in managing the company's resources entrusted to him which is often linked to the stock price (Silvia Indrarini, 2019). Company value can be influenced by several factors, namely debt policies set by a company, the company's ability to manage finances in financing all company obligations, company scale, stock price, income from a company and other factors that have been tested through other empirics (I. A. G. D. M. Sari & Sedana, 2020).

The higher the value of the company will make the higher the prosperity that will be received by shareholders. Improving the welfare of shareholders, the company can carry out financial decisions (investment decisions, funding decisions, and dividend policies). Company value is a value that can measure the level of quality of a value that explains how much the level of importance of a company in the eyes of investors (Ubaidillah & Aji, 2020). The figure below is a graph of the value growth of manufacturing companies in 2017-2022:

### **Price to Book Value (PBV) chart**



**Source: IDX.co.id**

For investors, company value is an important concept because company value is a measure (indicator) for the market to assess the company as a whole. Company value can be measured using the *price-to-book value* (PBV) ratio. Indriani et al., (2019), stated that the price-to-book value (PBV) ratio is the ratio of the difference in the market value of a stock to book value. The *higher the price to book value* (PBV) can be said that there is an increase in the quality and performance of the company, then the company succeeds in achieving goals in order to create value and provide prosperity for shareholders.

*Jakarta Islamic Index* (JII) is one of the stock indexes in Indonesia which will be selected every month 30 stocks that comply with Islamic sharia. Stocks included in the *Jakarta Islamic Index* (JII) are companies that provide confidence for investors to invest or invest in sharia-based stocks (Pantas, 2017). In addition, stable domestic economic conditions also affect the performance of *Jakarta Islamic Index* (JII) *occupant stocks*, dominated by shares of goods, various industries, and construction issuers (Hadyan & Andhaniwati, 2021).

Many factors affect the value of a company, one that affects the value of a company is investment decisions. Investment decision is one of the functions of financial management that involves the allocation of funds, both funds sourced from inside and outside the company. Investment means placing large amounts of funds to maintain, increase value, or positive returns (Suta & Meijerink, 2020).

The implementation of investment decisions is strongly influenced by the availability of company funds from *internal funding sources* (*intemal financing*) and external funding sources (*extemal financing*) (Panigrahi, 2012). Funding decisions relate to the establishment of the right capital structure for the company from a managerial point of view. The essence of the funding function is how the company determines the optimal source of funds to fund various investment alternatives, so as to maximize the value of the company reflected in its share price.

As for other policies related to company value are funding decisions, funding decisions are decisions related to the source of funds obtained by the company. The source of funds can be obtained from own debt and capital (Ibrahim, 2010).

Funding decisions are decisions related to investment decisions. Where this decision is used for investment activities and funding company operations. According to H. P. Sari et al., (2018), funding decisions are decisions that lead to the selection of the most profitable funding source to finance the investment to be made.

In addition to investment decisions and funding decisions, dividend policy is one of the problems often experienced by companies. Dividend policy is a decision whether profits obtained by a company at the end of the year will be distributed to shareholders in the form of dividends or retained to increase capital to finance investment in the future (Widodo et al., 2021).

The dividend policy serves to determine the amount of profit share that will be distributed to shareholders and the share that will be retained by the company. Dividend payment policy has a very important influence on investors as well as companies that will pay dividends. Dividend policy plays an important role in explaining the value of a company. Dividend policy relates to policies regarding how much profit the company gets will be distributed to shareholders (Al-Fadly, 2020).

The determination of dividend policy by the company's management is a signal for investors to assess the state of the company. High dividend distribution to shareholders is expected to increase the value of the company (Waryati et al., 2023). In this writing, agency theory is very supportive of the variables to be studied, including variables that are in accordance with agency theory are managerial ownership variables with shareholders (Senapathi et al., 2017).

Based on the background that has been described, the title of the study is *The Effect of Investment and Funding Decisions on Company Value with Intervening Variables of Dividend Policy in Companies Listed on the Jakarta Islamic Index*

Based on the phenomenon in the background, in this study the following research questions were formulated Do investment decisions and funding decisions affect the value of companies listed in the Jakarta Islamic Index for the 2017-2022 period. And do investment decisions and funding decisions affect the value of the company with intervening variables of dividend policy in companies listed in the Jakarta Islamic Index for the 2017-2022 period. The purpose of this study is to analyze and apply the influence of investment decisions and funding decisions on company value in companies listed in the Jakarta Islamic Index and to analyze and apply the influence of investment decisions and funding decisions on company value with intervening variables of dividend decisions in companies listed in the Jakarta Islamic Index

## **METHOD RESEARCH**

In this study, samples were obtained using the purposive sampling method so that 7 out of 30 registered in the Jakarta Islamic Index (JII) for 2017-2022 were obtained which met the criteria determined by the author to be used as research samples.

The process of data analysis in this study is to manage data using the Eviews application and this data analysis technique uses multiple linear regression analysis (Sugiyono, 2016). A this analysis is carried out, a classical assumption test is carried out to produce valid estimator

model parameter values. This value will be fulfilled if the results of the classical assumption test meet the assumption of normality, and heteroscedasticity autocorrelation, and multicollinearity do not occur.

A dependent variable or bound variable is a variable that is affected by an independent variable. While the independent variable or independent variable is a variable that affects the dependent variable. The independent variables in this study consist of: investment decisions, funding decisions, and dividend policies.

## **RESULT AND DISCUSSION**

### **The Effect of Investment Decisions on Dividend Policy**

Decision Investment i.e. by proxy *Total Asset Growth*, revealing that investment decisions have an influential and significant effect on dividend policy. However, based on the results of panel data output with the model *random effect* Investment decision variables have values that have coefficient values of 0.274382 and (t) *p-value* Its  $0.0335 < 0.05$  means a significant investment decision at the level of 5%. significant at the level of 5%, proving that the level of investment decision confidence affects dividend policy by 95%, it can be concluded that investment decision variables have a positive and significant effect on dividend policy in companies listed in JII years 2017-2022.

Result In this study, it can be explained that the decline and increase in investment decisions will have an impact on dividend policy.

### **The Effect of Funding Decisions on Dividend Policy**

The funding decision is by proxy *debt to equity*. In the second hypothesis, researchers revealed that funding decisions have an influential and significant effect on dividend policy. However, based on the results of panel data output with a *random* effect model, the funding decision variable has a value of 0.139121 and (t) *p-value* of  $0.0226 < 0.05$ , it can be said that the funding decision is significant at the level of 5%, proving that the funding decision affects the dividend policy by 95%, then the funding decision variable has an effect and is significant on the dividend policy in the company registered in JII for 2017-2022.

### **The Effect of Investment Decisions on Company Value**

The investment decision variable (X1) in table 4.16 has a coefficient value of 0.111651 and (t) *its p-value* of  $0.4416 > 0.05$  this means a significant investment decision at the level of 5%. significant at the level of 5%, proving that the level of investment decision confidence has no effect on the company's value by 95%, it can be concluded that the investment decision variable does not have a significant effect on the value of the company in the company listed in JII 2017-2022.

### **Effect of Funding Decision on Company Value**

The funding decision variable (X2) in table 4.16 has a coefficient value of 0.109958 and (t) *its p-value* of  $0.1149 > 0.05$  it can be said that the funding decision is significant at the level of 5%, proving that the funding decision has no effect on the company's value by 95%, then the funding decision variable has no effect and is significant on the company's value in companies listed in JII in 2017-2022.

### **The Effect of Dividend Policy on Company Value**

The dividend policy variable (Z) in table 4.16 has a coefficient value of 0.803091 and (t) the *p*-value is  $0.0001 < 0.05$ , it can be said that the dividend policy is significant at the level of 5%, proving that the dividend policy has an effect on the company's value by 95%, then the dividend policy variable has an effect and is significant on the company's value in companies listed in JII in 2017-2022.

### **Dividend Policy The Effect of Investment Decisions on Company Value**

The results of the analysis found that investment decisions were significant to dividend policy with a significance value of  $0.0252 < \alpha = 0.05$  and regression coefficient (a) = -0.298266, Company Value (Y) on the independent variable of investment decisions (X1), The results of the analysis found that investment decisions were significant to company value with a significance value of  $0.0469 < \alpha = 0.05$  and regression coefficient (c) = 0.337247. The results of the analysis found that the Investment Decision was significant to the value of the company, after controlling the Dividend Policy with a significance value of  $0.0003 < \alpha = 0.05$  and the regression coefficient (b) = 0.722999 Furthermore, it was found that the *dirrect effect c'* of 0.117095 was smaller than  $c = 0.337247$ . It can be concluded that this model is included in the category of *partial Mediation*.

The results of this study suggest that dividend policy mediates the influence of investment decisions on company value

### **Dividend Policy The Effect of Funding Decisions on Company Value**

The results of the analysis found that the Funding Decision was significant to the Dividend Policy with a significance value of  $0.0150 < \alpha = 0.05$  and regression coefficient (a) = 0.155171, The results of the analysis found that the Funding Decision was not significant to the value of the company with a significance value of  $0.8590 > \alpha = 0.05$  and a regression coefficient (c) = -0.0152014. The results of the analysis found that the Funding Decision was significant to the value of the company, after controlling for financial performance with a significance value of  $0.0000 < \alpha = 0.05$  and a regression coefficient (b) = 0.855258. Furthermore, *the dirrect effect c'* - 0.111197 is smaller than  $c = - 0.0152014$ . It can be concluded that this model is included in the *Full Mediation category*. The results stated that dividend policy mediates the influence of funding decisions on company value.

## **CONCLUSION**

This study aims to test the results of investment and funding decision variables on company value with dividend policy as an intervening variable. The object of research is a company registered in the Jakarta Islamic Index (JII) in the 2017-2022 period using a sample of 42 samples. Based on the results of research and analysis that has been done, the following conclusions can be drawn: Investment Decisions and funding decisions have a positive and significant influence on Dividend Policy, Investment Decisions and funding decisions have no effect and are not significant on Company Value Dividend policy has a positive and significant influence on Company Value, Dividend Intervening Decision policy Investment and funding decisions on Company Value in companies listed in JII for the 2017-2022 period.

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