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The Effect of Investment Decisions and Dividend Policies on The Value of Companies in The Industrial Goods Sub-Sector

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Abstract
Firm value and share price are closely related. A high stock price indicates a strong company value in the capital market. The Industrial Goods sub-sector is a sector that provides capital to be used in the production process in various industries, in the form of machinery, equipment and equipment for manufacturing, construction and goods and services. This study aims to determine whether investment decisions represented by the Price Earning Ratio (PER) and dividend policy represented by the Dividend Payment Ratio (DPR) affect firm value represented by Price per Book Value (PBV) in industrial goods sub-sector companies for the period 2019 to 2023 which are officially listed on the IDX. The associative method with a quantitative approach was used in this study, with a sample size of six companies out of 40 companies with a period of 5 years. It was found in this study that PER as a proxy for investment decisions contributed positively to increasing firm value as measured by PBV but was not significant. Meanwhile, Dividend Payment Ratio (DPR) as a representation of dividend policy significantly and positively affects Price Book Value (PBV) as a representation of firm value.

Keywords: Investment Decision, Dividend Policy and Firm Value

1. Introduction

Superior company performance can be represented from the company's value, the increase in company value indicates that the company's performance has the ability to trust investors on current and future performance. In addition, a company with a high corporate value will attract investors, as it indicates that the shareholders in the company are earning well-being. In achieving the goals of the society, it can be classified into short-term and long-term time horizons. In the short-term time horizon, the company focuses on profit margins and human capital. However, to achieve the long term, companies should not neglect profitability in the short term. These long-term goals usually have a time horizon of more than 5 years and are the main reference in the company's strategic planning (Agustín et al., 2022) . The success of the company lies in the way of managing finances and operational costs effectively, including good stock management, because these profits will be dividends for shareholders. . (Saila Sofiah et al., 2021)

The Industrial Goods *sub-sector* or the goods industry sector is a sector that provides capital to be used in the production process in various industries, in the form of machinery goods, equipment and equipment for the construction, construction and production of goods and services. The sub-sector of the goods industry is included in the manufacturing sector where based on data from the central statistics agency, it has recorded significant investment growth of 15.7% in 2023, reaching IDR 349.8 trillion. The goods industry sector is often the main destination for investment because the market is growing rapidly and is boosted by infrastructure development and major projects. So that it attracts many investors who are interested in investing in companies in the sub-sector of the goods industry, but investors will first assess the value of the company before making investments.

A high stock market price indicates a high value of the company in the eyes of investors. Therefore, it is in the interest of every business person to increase the stock market price. Efforts to increase the market value of the company's stock price can be realized through increased sales, a decrease in the value of debt, and a consistent dividend distribution policy. The valuation of a company's value can be done using *the Price Book Value* (PBV) ratio, which serves as an indicator to evaluate the fairness of the company's share price.

As an illustration, it can be observed the case of one of the companies from the sub-sector of the goods industry, namely PT. Impack Pratama Industri Tbk (IMPC). Based on the financial statements of PT. Impack Pratama Industri Tbk (IMPC) during the 2019-2023 period, Price Book Value (PBV) of PT. Impack Pratama Industri Tbk (IMPC) consistently records positive growth every year. However, in 2023, the company experienced a decrease in profit by 24.72 percent with a PBV of 8.46. IMPC's earnings per share experienced a significant decrease of 48.58 percent, while there was a very substantial increase in liabilities from 3.50 percent to 837 percent.

Among the factors that affect the value of a company, investment decisions and dividend policies. In this study, investment decisions are represented by *the Price Earning Ratio* (PER), and dividend policies are represented by *the Dividend Payment Ratio* (DPR). This study aims to quantify the level of representation of the company's book value by the market, based on previous studies by, that investment decisions (PER) have a positive and significant influence on the company's value (PBV). On the other hand, the dividend policy (DPR) has a negative and significant influence on the company's value (PBV). But, basically investors as a whole look at the company's value as a whole, including dividend policy. (Luqman Ilhamsyah & Soekotjo, 2017)

Based on this presentation, further research on the influence of dividend policy on company value is needed. This research is focused on empirically analyzing the influence of investment decisions (PER) and dividend policies (DPR) on company value (PBV) in companies in the sub-sector of the goods industry.

2. Literature Theory

2.1 Company Values

Company value, as reflected in the formation of stock prices in the capital market, is the aggregation process of individual investors' assessments of the company's performance, which is manifested in the interaction of demand and supply (Harmon, 2009). The value of a company reflects how much the price is willing to pay by the buyer who will buy the company's share price. The high share price of the company is an indicator of increasing investment value and welfare for shareholders. (Luqman Ilhamsyah & Soekotjo, 2017)

2.2 Investment Decision

Investment decisions are a crucial aspect of financial management. As a form of capital allocation, investment is expected to provide profits in the future. The success of a company depends heavily on investment decisions. Investments are made in the hope of generating income that exceeds the cost of capital, which in turn will increase the share price and the value of the company (Harmon, 2009) (Mesrawati et al., 2021).

2.3 Dividend Policy

Dividend policies have a crucial role in influencing the value of the company. This policy seeks to balance the interests of shareholders related to the distribution of dividends and the company's need for retained earnings According to the dividend policy, it covers a wide spectrum, from determining the percentage of profit allocated to shareholders, to the mechanism of paying cash dividends periodically, stabilizing the dividend rate, as well as options such as stock dividend distribution and share buybacks. (Hakiki & Muninghar, 2021). (Harmon, 2009)

3. Research Methodology

The research was conducted using a quantitative approach with an associative method. The quantitative associative method is used to analyze the relationship between two or more variables, specifically the causal relationship. The causality relationship is the relationship between causal variables, where the independent variable is the predictor variable, while the dependent variable is the response variable. (Sugiyono, 2013).

The population in the study conducted is all companies in *the Industrial Goods* sub-sector listed on the IDX, totaling 40 companies. Samples were taken using *nonprobability sampling* techniques with *purposive sampling methods,* and predetermined sample selection criteria. The criteria are: a). Companies that are consistently listed as public companies on the Indonesia Stock Exchange (IDX) during the 2019-2023 period. b). Industrial goods sub-sector companies that issue financial statements for the period 2019-2023. c). The company managed to book a profit during the 2019-2023 period, and d). Consistently made cash dividend payments during the 2019-2023 period. Based on these criteria, six company samples were obtained, with thirty observational data.

The type of data in this study uses a secondary type of data, in this context refers to data obtained indirectly through documents. Secondary data in this study is sourced from the annual financial statements of companies in *the industrial goods* sub-sector listed on the IDX in the period 2019 to 2023 that have been published. This financial report is available and can be accessed through the IDX's official website. The data in this study was collected using the documentation method. This documentation includes complete records and financial statement data of companies in the *industrial goods sub-sector* listed on the IDX, which are related to the influence of investment decisions and dividend policies on the company's value. In this study, the data analysis technique used is multiple linear regression. This procedure is preceded by a series of classical assumption tests to ensure the validity and reliability of the analysis results. It consists of normality test, multicollinearity test, heteroscedasticity test and autocorrelation test. As well as multiple linear regression consisting of the determination coefficient test (R2), simultaneous test (F test) and partial test (t test).

4. Results and Discussion

4.1 Classic Assumption Test

Classical assumption tests are performed to verify that the assumptions underlying multiple linear regression analysis are met, resulting in valid results. The classical assumption test in this study includes the normality test, the multicollinearity test, the heteroscedasticity test, and the autocorrelation test.

4.2 Data Normality Test

It is important to test the normality of data to ensure that the data of dependent and independent variables are in accordance with the assumption of normality. Using *One Kolmogrov-Smirnov Sample*, which was calculated using the SPSS application version 27. It can test whether the data distribution is normal or not.

Table 1 Data Normality Test

N		**30**
Normal Parameters[a,b]	**Mean**	**2.6374**
	Hours of deviation	**1.84847**
Asymp. Sig. (2-tailed)[c]		**.200d**

Source: data processing results with SPSS 27, 2024

The results of the normality test showed that the value of Asymp. Sig. (2-tailed) is 0.200, which is statistically significant greater than 0.05. Therefore, the data in this study is assumed to be normally distributed.

4.3 Multicollinearity Test

The multicollinearity test was tested by looking at the VIF (*Variance Inflation Factor)* value of VIF < 10 and *the Tolerance* value of > 0.1. In the *Coefficients* table in the *Collinearity Statistics column*.

Table 2 Multicollinearity Test

Type		Collinearity Statistics	
		Tolerance	**VIVID**
1	**(Constant)**		
	X1	**.926**	**1.079**
	X2	**.926**	**1.079**

Source: data processing results with SPSS 27, 2024

The results of the multicollinearity test showed a VIF value of 1.079 and *a Tolerance* value of 0.926 for the variables of Investment Decision (X1) and Dividend Policy (X2). These two values met the criteria set (VIF < 10 and *Tolerance* > 0.1), so it can be concluded that there is no multicollinearity between the study variables.

4.4 Heteroscedasticity Test

Heteroscedasticity tests are performed to identify potential violations of homoscedasticity assumptions in regression models, which can result in inefficient parameter estimation.

Table 3 Heteroscedasticity Test

Model		Itself.
1	**(Constant)**	**.000**
	X1	**.112**
	X2	**.140**

Source: data processing results with SPSS 27, 2024

The results of the heteroscedasticity test showed that the Sig. value of the Investment Decision variable (X1) was 0.112 and for the Dividend Policy variable (X2) was 0.140. These two values exceeded the significance limit of 0.05. Therefore, it can be concluded that there is no heteroscedasticity in the data.

4.5 The heteroscedasticity test uses a scatter plot graph.

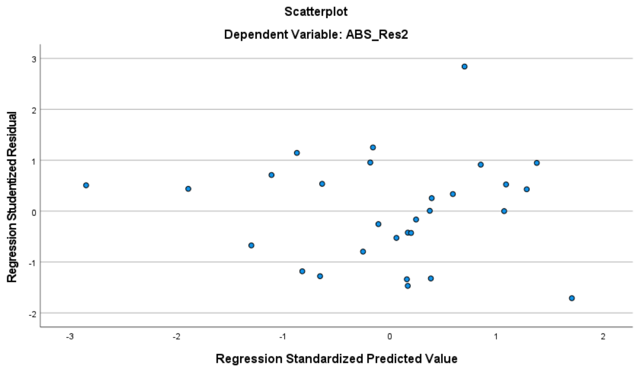

Figure 1. Scatter Plot

Source: data processing results with SPSS 27, 2024

The results of the heteroscedasticity test visualized through the scatterplot graph in Figure 1 show that the plot points are randomly scattered around the zero point without forming a structured pattern. Based on these observations, it can be concluded that there is no indication of heteroscedasticity.

4.6 Autocorrelation Test

The main purpose of the autocorrelation test is to ensure that the residual of the regression model does not show any inter-time dependence. Autocorrelation can result in inefficient and invalid parameter estimation. The Durbin-Watson test is one of the statistical procedures that can be used to detect autocorrelation.

Table 4 Autocorrelation Test

Model	R	R Square	Durbin-Watson
1	.606a	.367	2.072
a. Dependent Variable: Y			

Source: data processing results with SPSS 27, 2024

Because the Durbin Watson value of the table for the sample of 30 has an upper limit value (dU) of 1.5666 for the Durbin Watson Calculation value of 2.072 and for the 4-dU gain is 2.415. Therefore, from the results of the dU < DW Calculate < 4-dU (1.5666 < 2.072 < 2.4334), it can be concluded that the data did not detect autocorrelation.

4.7Correlation Coefficient and Determination Test

Table 5 Coefficient and Determination Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.606a	.367	.318	3.38200
a. Dependent Variable: Y				

Source: data processing results with SPSS 27, 2024

From table 5, the value of the Correlation Coefficient is 0.606 and then multiplied by 100% to obtain a value of 60.6%. This shows that the variables of Investment Decision (X1) and Dividend Policy (X2) simultaneously affect the variable of Company Value (Y) by 60.6% while the remaining 39.4% are influenced by other variables outside the analyzed data.

4.8 Multiple Linear Regression Analysis

Multiple linear regression serves to analyze the entanglement and correlation between two or more different research variables. Based on table 6, thus, the following regression model is obtained:

$$Y = 5.620 + 0.013\ X1 - 0.106\ X2$$

Based on the multiple linear regression equation that has been obtained, it can be interpreted as follows:

1. Constant value (α) of 5.620 This states that the company's value in entities engaged in the industrial goods sub-sector and listed on the Indonesia Stock Exchange (IDX) will increase by 5.620 if the variables of Investment Decision (X1) and Dividend Policy (X2) are constant value or 0 (zero).
2. The value of the regression coefficient in the Investment Decision variable (X1) is 0.013. This indicates that there is a positive influence between Investment Decisions and the value of the company. A one-unit increase in the Investment Decision (X1) is assumed to increase the company's value by 0.013 units, assuming other independent variables are constant
3. The value of the regression coefficient for the Dividend Policy variable (X2) is -0.106. This indicates that there is a negative influence between the Dividend Policy and the company's value. A one-unit increase in the Dividend Policy (X2) is assumed to decrease the company's value by 0.106 units, assuming other independent variables are constant.

4.9 Hypothesis Test

This study aims to empirically examine the influence of investment decisions and dividend policies on company value in manufacturing companies in the *industrial goods* sub-sector listed on the IDX in the 2019-2023 period, using a significance level of 0.05 (α=5%).

4.10 T Test (Partial Test)

The t-test is used to determine which independent variables have the greatest contribution in explaining the variation of bound variables in the regression model.

Table 6 Partial T Test

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Itself.
1	(Constant)	5.620	.916		6.136	.000
	Keputusan_Investasi	.013	.032	.068	.419	.679
	Kebijakan_Deviden	-.106	.028	-.620	-3.826	.001

Source: data processing results with SPSS 27, 2024

From table 6, the results of the partial t-test are obtained as follows:

1. The results of the t-test showed that the t-value for the Investment Decision variable was 0.419 with a significance value of 0.679. This significance value is greater than the assigned significance level (α = 0.05). Therefore, it can be concluded that partially the variables of investment decisions do not have a significant influence on the company's value in companies in the industrial goods sub-sector listed on the IDX in the 2019-2023 period.
2. The results of the t-test showed that the t-value for the Dividend Policy variable was -3.826 with a significance value of 0.001. This significance value is smaller than the assigned significance level (α = 0.05). Therefore, it can be concluded that partially the

dividend policy variable has a significant influence on the company value of companies in the industrial goods sub-sector listed on the IDX in the 2019-2023 period.

4.11 F Test (Simultaneous Test)

The feasibility test of the model with the F Test was used to test the hypothesis that the variables of investment decisions and dividend policies simultaneously had no effect on the value of the company. This test was carried out using a variance analysis table (ANOVA) with a significance level of 0.05 (α = 5%) with the following criteria:

1. If the significance value of the F test exceeds 0.05, then this study is considered not to meet the validity criteria for further testing.
2. If the significance value of the F test is below 0.05, then this study is considered to meet the validity criteria for further testing.

Table 7. Test F

Model		Sum of Squares	df	Mean Square	F	Itself.
1	Regression	172.198	2	86.099	7.528	.003b
	Residual	297.386	26	11.438		
	Total	469.584	28			

Source: data processing results with SPSS 27, 2024

From the results of table 7, the F test value of 7.528 was obtained with a significance value of 0.003 greater than 0.05. Thus, in this study, there is a significant influence between independent variables (investment decisions and dividend policies) together on dependent variables (company value) in manufacturing companies in the industrial goods *sub-sector listed* on the Indonesia Stock Exchange (IDX) for the period 2019 to 2023.

4.12 The Influence of Investment Decisions on Company Value

The results of the study stated that investment decisions proxied with *Price Earning Ratio* (PER) had a positive correlation with the company's value, but this correlation was not statistically significant. This means that the amount of investment planned in the future is not a significant determinant factor in the valuation of a company's value. This can be influenced by the high investment risk so that it becomes an obstacle for investors to invest their capital. Because, non-optimal investment decision making can have implications for a decline in the company's performance. The consequences of improper investment decisions are a negative market response and a decline in stock prices. This indicates that investment decision-making is not the main determining factor in the valuation of a company by investors. In addition, macroeconomic conditions in the period 2019 to 2023 were influenced by the COVID-19 pandemic period where the economy was shut down, affecting people's purchasing power and market confidence in the manufacturing sector, especially *the industrial goods* sub-sector. Investors in *the industrial goods* sub-sector are usually more focused on dividends than long-term investments through investment.

The results of this study are in line with previous research by (Komala Shiely Putu et al., 2021) , research and research by finding that investment decisions proxied by (Suryandani, 2018) (Nur Janah & Rina Ariani, 2022) *Price Earning Ratio* (PER) do not have a significant influence on the value of the company. However, this study presents results that are contrary to the results of research, research and research that states that investment decisions proxied by (Wiratno et al., 2022) (Mesrawati et al., 2021) (Luqman Ilhamsyah & Soekotjo, 2017) *the Price Earning Ratio* (PER) have a significant effect on the value of the company.

4.13 The Effect of Dividend Policy on Company Value

Based on the results of the study, it can be concluded that the dividend policy proxied by *the Dividend Payment Ratio* (DPR) has a statistically significant positive influence on the company's value. This research empirically proves that dividend policy has a positive influence on the value of the company. An increase in dividend policy correlates with an increase in the company's value. With a good dividend policy, investors can assess the company because the company is able to prosper or realize the wishes of investors, namely by distributing dividends. Dividends are an important aspect of the company for financial stability and future prospects. Because, investors tend to see dividends as a definite form of income, especially in the *industrial goods* sub-sector which generally has stable growth. A consistent or increasing dividend policy is a condition that indicates that the company has adequate financial ability to distribute profits, as it reflects good financial performance.

In addition, in the period 2019 to 2023, including the impact of the COVID-19 pandemic, investors are looking for investments that provide certain returns. The dividend policy is also considered important information for the market regarding the financial condition and prospects of the company. If the company increases its dividend, investors can interpret that the company is confident in future earnings growth and stability. On the other hand, dividend reductions often trigger negative reactions, as they are considered a sign of financial problems within the company. Based on the theory of *Bird in The Hand* (Lintner, 1962), a good dividend policy has a positive and significant correlation with the value of the company. This theory emphasizes that high dividend payouts will increase investors' expectations of future earnings, which will ultimately increase the company's stock price and value.

The results of this study are in line with previous research by (Ardatiya et al., 2022) , research and research based on the results of the research, it can be concluded that the dividend policy proxied by (Nur Janah & Rina Ariani, 2022) (Ovami & Anugrah Nasution, 2020) *the Dividend Payment Ratio* (DPR) has a statistically significant positive influence on the company's value. However, it is not in line with research (Mesrawati et al., 2021) , research and research that states that (Hakiki & Muninghar, 2021) (Kadek Elsa Tiari & Made Pradana Adiputra, 2023) the dividend policy proxied with *the Dividend Payment Ratio* (DPR) does not have a positive effect on the company's value and is not significant.

5. Conclusion

Based on the results of the study, it was identified that there was a positive correlation between *Price Earning Ratio* (PER) as a proxy for investment decisions and *Price Book Value* (PBV) as a proxy for company value, but it was not significant. This means that the amount of investment planned in the future is not a significant determinant factor in the valuation of a company's value. This can be influenced by the high investment risk so that it becomes an obstacle for investors to invest their capital. Meanwhile, the dividend policy variable represented by *the Dividend Payment Ratio* (DPR) has a positive effect on the company's value represented by *Price Book Value* (PBV) and is significant. This research empirically proves that dividend policy has a positive influence on the value of the company. An increase in dividend policy correlates with an increase in the company's value. A good dividend policy, investors can judge the company because it indicates that the company has the financial capacity to meet investors' expectations through dividend distribution.

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