The Effect of Investment Decisions, Funding Decisions, Dividend Policy, and Profitability on Company Value (Case Study on LQ-45 Company on the Indonesia Stock Exchange 2018-2020 Period)

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Abstract: The purpose of this study is to show and analyze the partial effect of investment decisions, funding decisions, dividend policies and profitability on firm value. The purpose of this research is also to provide investment ideas to investors. The population of this study is 45 companies listed on the Indonesia Stock Exchange respectively in the 2018-2020 period to calculate the LQ45 index. The sample was selected using a targeted sampling technique and 23 companies did not meet the predetermined criteria and were therefore excluded from the sample. Data analysis was performed using multiple linear regression analysis. Based on the results of data analysis, it is concluded that investment decisions have a significant positive effect on value, funding decisions have a significant positive effect on firm value, dividend policy has a significant positive effect on firm value, and profitability has a significant positive effect on firm value. The coefficient of determination $(R2)$ of 0.925 indicates that variables such as investment decisions, funding decisions, dividend policies and profitability can explain 92.5% of changes in firm value variables, while the remaining 7.3% is influenced by other variables outside the study.

I.   PRELIMINARY

Background

Capital market competition in Indonesia is currently in the process of maturing market players, and the world of capital markets will experience very rapid progress. The capital market itself is a very important tool in the business world. Therefore, this encourages a high level of public enthusiasm for investing, and along with the growing enthusiasm of the public, investors, creditors, and users of financial statements require important accounting information to be reviewed. In addition, without the capital market, issuers will certainly not be able to do business. As stated by Xiao, You, & Zhao (2017), the capital market itself is where companies issue securities to meet their long-term funding needs. Investors can thoroughly investigate the company's situation before buying shares (securities) through a fundamental approach. As the operator of the Indonesian capital market, IDX assesses the company's shares using several indexes, including the LQ 45 index, where the index has high liquidity.

The LQ 45 index is an indicator of the IDX stock index (Indonesian Stock Exchange) which consists of 45 stocks that are traded more actively or with high liquidity. The LQ 45 index shows the trend of stock price movements of companies with a high level of stock liquidity overall (Reni, Benny, and Fifi, 2021). After that, the

demand for LQ 45 treasury shares will increase, and the share price is expected to rise. Investors can analyze the condition of the company first before carrying out activities to buy securities. One of the most important parts in analyzing the condition of a company is the value of the company because the prosperity of the shareholders is reflected in the value of the company (Novi and Khairiyani, 2019).

Business development is closely related to business value. This postulate states that the company's goal is not to be liquidated, but to be able to function in the long term (Ayturk, 2017). Various metrics, such as Price to Book Value (PBV) and Tobin's Q, represent a company's value. If these two indicators increase, it means that the value of the company also increases. To assess firm value, Khairiyani (2018), Zheng, Xue and Chen (2014) and Zhong and Zhang (2018) combine the two indicators above. Firm value is influenced by the size of the profitability. According to Clementin and Priyadi (2016) profitability shows the level of net profit that can be achieved by the company in carrying out its operating activities. High profitability reflects the fact that the company can generate high profits and shareholder wealth will also increase. So that profitability can affect the value of the company. Profitability in this study is aimed at Return On Equity (ROE).

ROE shows the company's ability to generate after-tax profit by using its own capital. This relationship is important for shareholders, especially to determine the effectiveness and efficiency of asset management carried out by company management (Kustini, 2013). The higher this ratio the better which means the stronger the business owner and vice versa (Kasmir, 2015).

Effective investment decisions will produce optimal returns. Investment decisions in this study are represented by the Price Earnings Ratio (PER) which is an indication of the capital market's assessment of the company's ability to generate potential profits/profits in the future. This report shows how much investors are willing to pay for each reported profit (Brigham and Houston, 2011). The higher the price earning ratio of a stock, the more expensive the stock price will be compared to net income per share. PER is also a report that shows the company's growth rate. Septia, (2015) said that a high PER will indicate good company growth prospects with low risk.

The next decision that the CFO needs to make is whether the funds used in the business come from within or from outside the business. Funding decisions will be related to the company's decision to raise funds for investment and seek capital to determine the composition of funding sources (Kumar et al, 2012). Business financing can be grouped based on the source of funding: internal and external funding. Internal funding is funding that comes from within the company in the form of retained earnings while external funding is debt, equity, and hybrid securities funding as stated by Efni et al (2011). Funding decisions in this study were replaced by debt to equity ratio (DER).This ratio shows the comparison between debt and equity financing.

Optimizing company value must also pay attention to other policies, such as dividend policy. This is in accordance with the signal theory which states that an increase in dividend payments by the company is considered to have good profit prospects, whereas if there is a decrease in the amount of dividend payments paid by the company, it can provide poor information for the company, it will have an impact on decreasing the value of the company (Prasetyo, 2021).

Research conducted by (Cahyono and Sulistyawati 2017) previously provided the author's view to re-research and develop the research by adding a profitability variable, therefore this research was developed with the title "The Influence of Investment Decisions, Funding Decisions, Dividend Policy, and Profitability on Value Company" (Case Study on LQ-45 Company on the Indonesia Stock Exchange 2018-2020 Period).

Formulation of the problem
Based on the background described above, the formulation of the problem from this research is as follows:

Do investment decisions proxied by PER (Price Earnings Ratio) have a positive and significant impact on Company Value in LQ-45 Companies on the Indonesia Stock Exchange for the 2018- 2020 period?
1.   Does the funding decision proxied by DER (Debt to Equity Ratio) have a positive and significant effect on Company Value in LQ-45 Companies on the Indonesia Stock Exchange for the 2018- 2020 period?

2.   Does the dividend policy proxied by the DPR (Dividend Payout Ratio) have a positive and significant effect on Company Value in LQ-45 Companies on the Indonesia Stock Exchange for the 2018-2020 period?

3.   Does profitability as proxied by ROE (Return On Equity) have a positive and significant effect on Company Value in LQ-45 Companies on the Indonesia Stock Exchange for the 2018-2020 period?

Research purposes

In accordance with the problems posed, the objectives of this research are as follows:

1.   To analyze the positive effect of investment decisions proxied by PER (Price Earnings Ratio) on Company Value in LQ-45 Companies on the Indonesia Stock Exchange for the 2018-2020 period.

2.   To analyze the positive effect of funding decisions proxied by DER (Debt to Equity Ratio) on Company Value in LQ-45 Companies on the Indonesia Stock Exchange for the 2018-2020 period.

3.   To analyze the positive effect of dividend policy proxied by the DPR (Dividend Payout Ratio) on Company Value in LQ-45 Companies on the Indonesia Stock Exchange for the 2018-2020 period.

4.   To analyze the positive effect of profitability proxied by ROE (Return On Equity) on Company Value in LQ-45 Companies on the Indonesia Stock Exchange for the 2018-2020 period.

II.   THEORETICAL REVIEW AND HYPOTHESES DEVELOPMENT

Literature review

1. Company Value

The value of a company is related to the perception that investors have a company's success rate based on stock prices (Ulum, 2015). Companies need to maximize company value because maximizing company value means increasing shareholder wealth, which is the company's main goal. The higher the stock price, the higher the value of the company. The higher the value of a company, the more likely the market will trust the company's performance and future prospects (Safitri et al., 2014). Firm value describes how management manages the company's wealth which can be seen from the measurement of financial performance. According to Solichah (2015), firm value is the perception of institutional investors and is generally related to stock prices. When stock prices rise, so does the value of the company. The stock price is the price that occurs when you trade the stock in the market. This is evidenced by the existence of companies listed on the Indonesia Stock Exchange by means of stock splits.

Firm value is usually expressed in several ratios, one of which is Price Book Value (PBV). PBV is more often used in research because it can describe how well the market appreciates the book value of a company's stock. The higher the PBV, the better the result, because it means the market believes in the company's vision. Conversely, the lower the PBV, the worse it is because the market does not trust the company's prospects (Cahyono and Sulistyawati 2017). It is a ratio used to determine the value of a company and compares the market price with the value of each share to make investment decisions. The presence of PBV is very important for investors to determine their investment strategy in the capital market. Investors can predict high or low value stocks by book value. PBV represents the market value of the book value of the company's shares. Successful companies usually have a price-to-book value ratio of more than 1. This indicates that the market value of a stock is greater than its book value. Price to book value ratio increases the level of shareholder prosperity, and shareholder prosperity is the company's main goal (Kustini, 2013).

2. Investment Decision

Investment decisions depend on how the CFO allocates money into investments that can generate profits in the future (Sutrisno, 2012). An investment decision, commonly known as a capital budget, is the entire process of planning and costing a fund, and the fund's income can exceed one year. Fahmi (2013) states that all management decisions are made to allocate funds to various types of businesses. It can be said that investment decisions are not financial decisions but business decisions. This decision is reflected on the left side of the balance sheet, which shows the total current assets, fixed assets and other business assets. Investment decisions then allow the company to decide how to allocate funds to forms of investment that are profitable

for the company's business and investors. Investment decisions are measured by the return on assets. Investment decisions or capital budget decisions are the process of planning and managing a company's long-term investments.

Prasetto (2011) argues that for managers who succeed in making the right investment decisions, the assets invested will produce the best performance, thus giving a positive signal to investors to increase stock prices and firm value. In investment decisions, there are several ratios that can be used, one of which is PER (Price Earnings Ratio). PER is used because it shows a comparison between closing price and earnings per share (Cahyono and Sulistyawati 2017). In this ratio, the amount of earnings is calculated as the number of times the share price is reflected. According to Sofyan (2001), a high PER (Price Earnings Ratio) and low equity risk, investors are satisfied with higher returns and companies expect dividend growth rather than higher profit margins. If so, investors expect higher growth.

3. Funding Decision

Funding decisions are related to the company's decision to seek funds to finance investments and determine the composition of funding sources (Kumar et al, 2011). Company funding can be grouped based on the source of funds, namely internal funding and external funding. Efni, et al. (2012), stated that internal funding is funding that comes from within the company in the form of retained earnings, while external funding is financing of debt, equity, and hybrid securities.

In this case, there are several ratios that can be used to measure funding decisions, one of which is DER (Debt Equity Ratio). DER is used because DER (Debt Equity Ratio) is a comparison of the total debt owned by the company with the company's total equity (Cahyono and Sulistyawati 2017). The relationship owned by the debt equity ratio has a positive effect on firm value because the higher the DER indicates that the company has high trust despite the high capital financed by debt. According to Hermuningsih (2013) when managers have strong confidence in the company's future prospects and want stock prices to increase, managers can use debt as a signal that is more trustworthy by potential investors. The existence of debt can also help to control the excessive and free use of cash funds by the management, with an increase in this control in turn can increase the value of the company. The use of high debt but still able to provide positive information to shareholders and investors indicates that the use of debt is still above the company's ability.

4. Dividend Policy

According to Weston and Copeland (1997) dividend policy is a policy related to the company's decision to share the income generated in the form of dividends to shareholders or hold it as retained earnings for investment in the future. Dividend policy according to Husnan & Pudjiastuti (2012:297) concerns the issue of using profits which are the rights of shareholders.

The optimal dividend policy is to maximize the company's stock price which leads to maximizing the value of the company. Dividends are complex because companies are usually reluctant to change dividends, in particular, companies avoid cutting dividends even when earnings fall. Dividend policy is recognized as important because of the increasingly important role finance plays in a company's overall growth strategy. The purpose of the financial manager is to determine the optimal dividend policy that will increase firm value (Gordon, 2003).

Optimal dividend policy is a dividend policy that produces a balance between current dividends, future growth, and maximizing the company's stock price (Brigham and Houston, 2011). Rakhimsah and Barbara (2011), stated that the higher the dividend payout ratio, the higher the firm value, because a high dividend payout ratio indicates a promising level of dividend distribution. There are several theories of dividend policy, including:

a. Irrelevant Dividend Theory

Miller and Modligiani put forward the theory that dividend policy has no effect on firm value because the dividend payout ratio is only a detail and does not affect the welfare of shareholders. The value of a company depends only on the profit generated by its assets, not on how that profit is divided between dividends and

retained earnings(Brigham and Houston, 2011).

b.   Bird in the Hand Theory

According to Myron Goldon and John Lintner quoted in Jusriani (2013), they argue that the value of the company will be maximized by a high dividend payout ratio, because investors consider that the dividend risk is not as big as the increase in the cost of capital, so investors prefer profits in the form of dividends rather than profits that are higher. expected from an increase in the value of capital. Since capital investors value profits as a risker of dividends, the company must have a high dividend payout ratio to maximize stock prices. In other words, high dividend payments will increase stock prices (Priya and Mohanasundari, 2016). According to this theory, shareholders prefer high dividends compared to dividends to be distributed in the future and capital gains.

c.   Information Content of Dividend Theory

According to this theory, investors will see an increase in dividends as a positive signal for the company's prospects in the future. Because this dividend payment can reduce uncertainty and reduce agency conflict between managers and shareholders.

d.   Clientele effect theory The clientele effect is the company's tendency to attract the type of investors who like itsdividend policy. Miller and Modigliani state that a company establishes a special dividenddistribution policy, which in turn attracts a group of enthusiasts or clientele consisting ofinvestors who like the special dividend policy.

e.   e. Signaling Hypothesis

Priya and Mohnasundari (2016) say that the Signaling Hypothesis has the existence of asymmetric information between managers and shareholders. The Modigliani Miller hypothesis assumes that within a company, the information available to insiders and outsiders is the same; however managers may have information related to firm value thatoutside investors do not have.

f.   f. Tax-Effect Hypothesis

The Modigliani Miller hypothesis assumes that dividends and capital gains have differences with respect to taxes. However, in practice, taxes may have an influence on dividend payments and more importantly, on firm value. Tax advantages for capital gains motivate investors to prefer companies that retain their earnings over dividend payouts. As a result, low levels of dividends will increase stock prices (Priya and Mohanasundari, 2016).

g.   g. Agency Costs and Free Cash Flow Hypothesis

Modigliani and Miller's approach assumes that there is a conflict between managers and shareholders. However, in reality, this assumption may not hold true because the interests of managers and shareholders are not exactly the same. Therefore, shareholders may incur agency costs, leading to potential conflicts between managers and shareholders. This theory suggests that increasing dividends is one way to reduce agency costs (Priya and Mohanasundari, 2016).

The company's dividend policy can be measured by the DPR (Dividend Payout Ratio). DPR is used because it is associated with an index that indicates whether the company pays most of its profits as dividends or reinvests internally (David, 2007). The significant ability of dividend payments to increase the value of the company is interpreted as that paying profits is the main goal of investors investing their funds so that dividend payment information becomes one of the company's attractions to the market (Nareshwari et al, 2016).

5.   Profitability

Profitability ratios measure the success of management as indicated by the profits generated by sales and investment as stated by Weston and Brigham (1991). There are several types of profitability ratios that can be used to assess and measure the company's financial position within a certain period or for several periods, namely Return On Assets (ROA), also known as ROI (Return On Investment). ROA is the ratio of net income after tax (less common stock dividends) with assets or equity that has been invested by shareholders in the company. Net Profit Margin or net profit margin is a measure of profit by comparing profit after interest and tax compared to sales. This ratio shows the company's net income on sales. Return on Equity shows how much

success or failure the company's management has in maximizing the return on investment of shareholders and emphasizing on income returns in relation to the amount invested (Rahayu and Sari 2018). Of the three types of profitability ratios that exist, the ratio that is often chosen to be used in a study is the Return On Equity (ROE) ratio. According to (Rahayu and Sari 2018) Return on equity (ROE) is used because it is related to the calculation of company leverage. The economic use of leverage really has an effect, one of which is about the profitability of the company, how the size of the return will be approved by the owner of the company through the company's Return on equity (ROE) (Kholis, Sumarmawati, and Mutmainah 2018). ROE is the ratio between net income and total assets embedded in the company. The higher the ROE, the higher the company's ability to generate profits and will make the company's profitability high. A high ROE value will give a positive signal to investors that the company is earning in favorable conditions. This becomes an attraction for investors to own company shares and will increase the share price so that the value of the company increases.

Hypothesis Development

The hypothesis is a temporary answer to the problem formulation in this study (Priyastama, Romie, 2020). So that the temporary answers to the existing problem formulations are usually arranged in the form of question sentences. It is said to be temporary, because the answers given are based on the results of previous research. So the hypothesis in this study is as follows:

1.   The Effect of Investment Decisions on Company Value

In general, the purpose of people or investors making investments is to get profits in the future (Heri Setiyo Cahyono & Ardiani Ika Sulistyawati 2016). According to Wahyudi and Pawestri (2006), the value of the company formed through the stock market value indicator is strongly influenced by investment opportunities. The value of a business is determined solely by investment decisions. This statement is in accordance with the research findings of Fama and French (1998) who found that investments resulting from dividend and leverage policies have positive information about the company in the future, which has a positive impact on firm value. This is in line with the findings of Fenander and Rahrza (2012) who emphasized that the company's capital expenditure is very important in increasing the value of the company because it gives a positive signal for the company's growth in the future.

H1: Investment decisions have a positive and significant effect on firm value.

2.   Impact of funding decisions on Company Value

Funding decisions are policies regarding spending decisions or investment financing (Rowland Bismark Fernando Pasaribu, Dionysia Kowanda, Citra Wulandari, 2016). Funding decisions include how to optimally fund company activities, how to obtain funds for efficient investment and how to compose optimal sources of funds that must be maintained. Based on signaling theory, when the business has good future prospects, the business chooses debt financing, but if the business has low expectations, chooses equity financing (Ross, 1977). In other words, lending decisions made by the company can show investors that the company has the ability to finance debt and the company is capable of profitability and growth. This will trigger an increase in firm value (Parmitasari, 2016) In line with research conducted by Afzal and Rohman (2012) shows that the results of regression testing show that funding decisions have a positive and significant effect on firm value, so that if funding decisions increase by one unit, the value of the company will also increase.

H2: Funding decisions have a positive and significant effect on firm value.

3.   Impact of dividend policy on Company Value

Basically, the company's net profit can be distributed to shareholders as dividends or as retained earnings funds for company investment (Heri Setiyo Cahyono & Ardiani Ika Sulistyawati 2016). Dividend policy is related to decisions about the use of profits for the benefit of shareholders (Husnan and Pudziatsuti, 2006). The value of the company can provide welfare for shareholders if the company has very free cash, which can be distributed to shareholders as dividends, where the higher the health value of a company will provide confidence for shareholders to earn income in the future (Rowland Bismark Fernando Pasaribu, Dionysia Kowanda, Citra Wulandari, 2016). That is, a large increase in dividends is an indication that the company's management expects future earnings for investors, while a decrease in expected dividend income indicates a

small or poor profit. An increase in dividends increases stock prices and increases firm value, so research by Nur and Deden, (2019) proves that the company's dividend policy can increase firm value because investors like and expect dividends as returns.

H3 : Dividend policy has a positive and significant effect on firm value.

4. Impact of profitability on Company Value

Investors try to find companies that perform well and invest their capital in these companies by buying shares. The high profitability of a business shows the ability of the business to meet its obligations. High profitability is a positive sign for investors that the company is in a good position. This is an attraction for investors to own shares in the company (Sri and Ragil, 2016). This is in line with research by Haugen and Baker (1996) which shows that the higher the company's profitability, the greater the return obtained by shareholders so that the expected value of the company also increases.

H4 : Profitability has a significant positive effect on firm value.

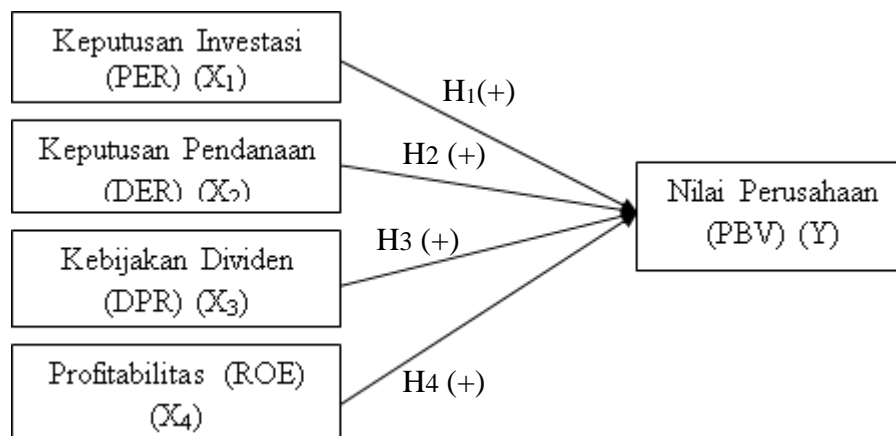The development of the above hypothesis can be described as follows:

Figure 1 – Research Thinking Framework

III. RESEARCH METHODS

Variable Operational Definition

1. Dependent Variable

The dependent variable is the variable that is influenced by the independent variable. The dependent variable in this study is firm value. Firm value is proxied by Price to Book Value (PBV). Price to Book Value can be formulated as follows: (Oktavia and Nugraha 2020)

$$PBV = \frac{Market\ Price\ per\ Share}{Book\ Value\ per\ Share}$$

2. Independent Variable

a. Investation decision

In this study, investment decisions are proxied through PER (Price Earning Ratio). PER is used because it shows a comparison between closing price and earnings per share (Cahyono and Sulistyawati 2017). PER is formulated by: (Wijaya and Wibawa, 2010) in (Cahyono and Sulistyawati 2017).

$$PER = \frac{Market\ Price\ per\ Share}{Earnings\ per\ Share}$$

b. Funding Decision

In this study, funding decisions are proxied through DER (Debt to Equity Ratio). DER shows the comparison between total debt and total equity. DER (Debt to Equity Ratio) can be formulated as follows: (Merina,

Paulina, and Victoria 2019).

$$DER = \frac{Total\ Amoun\ of\ deb}{Total\ Equity}$$

c.   Dividend Policy

In this study, funding policy is proxied through the DPR (Dividend Payout Ratio) by comparing dividends with total earnings per share. DPR (Dividend Payout Ratio) can be formulated as follows: (Merina, Paulina, and Victoria 2019).

$$DPR = \frac{Dividend\ per\ Share}{Earnings\ per\ Share}$$

d.   Profitability

In this study, profitability is proxied through Return on Equity (ROE). According to (Rahayu and Sari, 2018) Return on equity (ROE) is used because it is related to the calculation of company leverage. Return on Equity (ROE) can be formulated as follows: (Rahayu and sari, 2018).

$$ROE = \frac{Net\ Profit\ After\ Tax}{Total\ Equity}$$

The population of this study are all companies listed on the IDX in 2018 to 2020. The population that is included in the LQ-45 Company on the Indonesia Stock Exchange is 45 companies. A total of 23 companies did not meet the predetermined criteria so that the companies were eliminated from the research sample. Based on these criteria, a sample of 22 companies was obtained with 3 years of observation, so that a total of 66 samples were obtained.

Descriptive Statistical Analysis

Descriptive analysis is used to explain the data description of all variables that will be included in the research model seen from the minimum value, maximum value, average, and standard deviation (Kasmir: 2013).

Classic assumption test

The classical assumption test used in this study is the normality test, heteroscedasticity test, autocorrelation test, and multicollinearity test.

Data analysis technique

This study wants to prove and analyze how the influence of investment decisions, funding decisions, dividend policies and profitability have an influence on firm value. The multiple linear regression equation used in this study is as follows:

$$PBV = \alpha + \beta 1.\ PER_t + \beta 2.\ DER_t + \beta 3.\ DPR_t + \beta 4.\ ROE_t + e$$

Information:

PBV = Company Valueα = constant

β = Regression Coefficient PER_t= Investation decision DER_t= Funding Decision

DPR_t= Dividend Policy

ROE_t= Profitabilitye = *error*

1.   Partial Test (t)

The t test is used to determine the effect of the independent variable partially on the dependent variable, whether it has an effect or not (Priyastama, Romie, 2020). The t-test was used to see whether partially the independent variables had a significant effect on the dependent variable. Ghozali (2012) states the steps for testing the t-test are as follows:

1.   If the significance value (Sig.) < probability 0.05, then there is an effect of the independent variable (X) on the dependent variable (Y) or the hypothesis is accepted.

2.   If the significance value (Sig.) > 0.05 probability then there is no effect of the independent variable (X)

on the dependent variable (Y) or the hypothesis is rejected.

2.   Simultaneous Significant Test (F Test)

Basis for decision making Simultaneous F Test in Multiple Regression Analysis.

Based on the significance value (Sig.) of the Anova . output

a.   f the value of Sig. <0.05, then the hypothesis is accepted. It means that the variable (X1) and variable (X2) simultaneously affect the variable (Y).

b.   If the value of Sig. > 0.05, then the hypothesis is rejected. It means that the variable (X1) and variable (X2) simultaneously have no effect on the variable (Y).

Based on the comparison of the calculated F value with F table

a.   If the calculated F value > F table, then the hypothesis is accepted. It means that the variable (X1) and variable (X2) simultaneously affect the variable (Y).

b.   If the calculated F value < F table, then the hypothesis is rejected. It means that the variable (X1) and variable (X2) simultaneously have no effect on the variable (Y).

F table formula = (k ; n-k)

3.   Determinant Coefficient Test (R^2)

The Adjusted R-Square test (determinant coefficient) is used to measure how far the model's ability to explain the variation of the dependent variable is. The coefficient of determination describes the magnitude of the effect of the capital adequacy ratio variable. The value of the coefficient of determination is between 0 and 1. The higher the value of R^2, the higher the independent variable in explaining the dependent variable, and vice versa (Priyastama, Romie, 2020).

IV.   RESULTS AND DISCUSSION

Description of Statistics

Based on the sample selection criteria, namely companies that are continuously included in the LQ45 Index calculation for the period 2018 to 2020, the following is the sample selection process.

Table 1: Sample Selection Process

Keterangan	Jumlah
Number of LQ45 Index Companies listed on the IDX during 2018-2020 minus	45
Companies that are not listed in a row	13
Companies that do not have complete data used for this research	-
Companies that do not present financial statements in rupiah (Rp)	6
Companies that do not distribute dividends during the study period	4
Number of Samples	22
Total Companies listed in the LQ45 Index according to the criteria x 3 years of observation	66
Outliers	1
Number of samples that can be processed	65

Source: Secondary data processed, 2022

The descriptive analysis of the variables in this study can be seen in Table V.2 as follows:

Table 2: Descriptive Statistics of Research Variables
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Investation decision	65	7.097	106.000	25.16709	22.345975
Funding Decision	65	.186	49.071	2.96708	6.319703
Dividend Policy	65	.029	2.651	.61303	.577679
Profitability	65	-.002	1.451	.21272	.308018
Company Value	65	.655	45.198	4.17735	8.322647
Valid N (listwise)	65				

Source: Secondary data processed, 2022

Classic Assumption Test Results

The results of the classical assumption test in this study are as follows:

Table 3: Normality Test Results
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		65
Normal Parametersa,b	Mean	.0000000
	Std. Deviation	2.20149861
Most Extreme Differences	Absolute	.097
	Positive	.088
	Negative	-.097
Test Statistic		.097
Asymp. Sig. (2-tailed)		.200c,d

Source: Secondary data processed, 2022

Table 4: Heteroscedasticity Test Results

Variabel	Sig	Keterangan
Investation decision	.617	There is no heteroscedasticity
Funding Decision	.345	There is no heteroscedasticity
Dividend Policy	.691	There is no heteroscedasticity
Profitability	.639	There is no heteroscedasticity

Source: Secondary data processed, 2022

Table 5 Autocorrelation Test Results

M odel Summar $_y$b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.965a	.930	.926	2.267004	1.474

Source: Secondary data processed, 2022

Table 6: Multicollinearity Test Results

Variabel	Tolerance	VIF	Keterangan
Investation decision	0.506	1.978	There is no multicollinearity
Funding Decision	0.826	1.211	There is no multicollinearity
Dividend Policy	0.506	1.978	There is no multicollinearity
Profitability	0.826	1.211	There is no multicollinearity

Source: Secondary data processed, 2022

Multiple Linear Regression Analysis Test Results

The results of the multiple linear regression analysis are as follows:

Table 7: Multiple Linear Regression Results

Variabel	B
(Constant)	-1.247
Investation decision	0.089
Funding Decision	-0.629
Dividend Policy	-1.543
Profitability	28.237

Source: Secondary data processed, 2022

From the results of the multiple linear regression test above, the equation model formed is:

PBV = -1,247 + 0,089 PER - 0,629 DERt- 1,543 DPRtt+ 28,237 ROEt+ e

Partial Test Results (t Test)

Table V.8: Hypothesis Test Results

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-1.247	.486		-2.567	.013
	Investation decision	.089	.018	.238	4.952	.000
	Funding Decision	-.629	.049	-.477	-12.705	.000
	Dividend Policy	-1.543	.692	-.107	-2.230	.030
	Profitability	28.237	1.015	1.045	27.810	.000

Coefficients[a]

Source: Secondary data processed, 2022

Simultaneous F Test Results

Table V.9: F. Test Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4122.871	4	1030.718	199.377	.000[b]
	Residual	310.182	60	5.170		
	Total	4433.053	64			

Source: Secondary data processed, 2022

Determination Test Results

Table V.10: Coefficient of Determination Test Results (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.964a	0.930	0.925	2.273698

Source: Secondary data processed, 2022

HYPOTHESES DISCUSSION

1. The Effect of Investment Decisions on Company Value

The results of the first hypothesis test (H1) indicate that investment decisions have a significant positive effect on firm value, from the statistical test results obtained a p-value of

0.000. The positive correlation between investment decisions and firm value indicates that the higher the PER, the more valuable the firm is to investors. A high PER is a healthy company and an indicator of company growth. This type of investment provides an indication of the company's expected future profit growth and possible appreciation of the stock price, which is used as an indicator of the company's value.

Because the results of the study indicate that investment decisions have a positive effect on firm value, so that investment decisions can affect firm value, and it can be said that investment decisions have a significant effect on firm value. This is in line with signaling theory, where high investment decision information gives investors a good signal about the value of the company.

The results of the research conducted this time contradict the previous research conducted by Novi and Khairiyani (2019) which found that investment decisions proxied by PER were not able to affect the value of the LQ-45 company in 2015-2017.

2. The Effect of Funding Decisions on Company Value

The results of the second hypothesis test (H2) prove that the financing decision has a significant positive effect on firm value according to the statistical test results, the value is 0.000. The positive correlation between funding decisions and firm value indicates that the higher the DER, the more valuable the company is to investors. A high DER means the company is in good health and shows the company's development. This is because debt is a risky source of financing. High debt or borrowing is an indication that the company has performance or prospects, and the bank will guarantee it. Investors affect the value of loans and high firm value.

This is in line with signaling theory, in which the source of funding obtained from outside the company by using debt is expected by investors to catch a positive signal indicating that the company has prospective prospects in the future.

The results of the research conducted are in line with previous research conducted by Fadli, Darwanis, and Muslih (2020) which found that funding decisions have a positive effect on the value of LQ 45 companies listed on the Indonesia Stock Exchange.

3. The Effect of Dividend Policy on Company Value

The results of the third hypothesis test (H3) prove that dividend policy has a significant positive effect on firm value. According to the results of statistical tests, the value is 0.030. This shows that dividend policy can increase firm value because investors like and expect profits in return. The value of the company depends on the company's ability to profit from the company's assets or investment policies. In other words, dividend policy has a significant effect on firm value and cost of capital.

This is in line with signaling theory, where if the amount of dividends distributed is high, it can be a positive signal for investors who think that the company's prospects in the future are good and can increase the value of the company.

The results of the research conducted are in line with the research conducted by Ardina, Linda, and Isnalita (2017) which found that dividend policy had a positive and significant effect on firm value and research

conducted by Fadli, Darwanis, and Muslih (2020) which found that dividend policy had an effect on positive on firm value.

4. The Effect of Profitability on Company Value

The results of the fourth hypothesis test (H4) prove that firm value has a significant positive effect on firm value. Based on the results of statistical tests, the resulting value is 0.000. That is, the higher the profit value, the higher the firm value. Higher profits indicate good prospects for the company and encourage investors to increase demand for shares. The increasing demand for shares will also increase the value of the company.

This is in line with signaling theory, high profitability indicates good company prospects so that investors will respond positively to the signal and the company value will increase (Sujoko and Soebintoro, 2007). Investors invest their capital in the shares of a company with the aim of obtaining returns consisting of returns and capital gains. The higher the profit of the company, the higher the profit expected by investors, and the higher the value of the company.

The results of the research conducted are in accordance with the research conducted by Sri and Ragil (2016) who found that profitability has a positive and significant effect on firm value. This shows that the greater the profit of a company, the greater the value of the company.

V. CLOSING

Conclusion

This study aims to analyze the effect of Investment Decisions, Funding Decisions, Dividend Policy, and Profitability on Firm Value (Case Study on LQ-45 Company on the Indonesia Stock Exchange for the 2018-2020 period). There are 4 variables tested in this study, namely Investment Decisions, Funding Decisions, Dividend Policy, and Profitability. Based on the results of data analysis, it is concluded that Investment Decisions, Funding Decisions, Dividend Policy, and Profitability are proven to have a significant positive effect on Company Value.

The influence of 4 internal variables shows that Investment Decisions, Funding Decisions, Dividend Policy, and Profitability are proven to have a significant positive effect on Company Value. From these results, it is also concluded that the increasing of these 4 important aspects shows good company prospects so that investors will respond positively to these signals and the value of the company will increase.

Limitations and Suggestions

Based on the results of the research summarized in the conclusions above, there are differences with other studies. This may be due to the limitations of researchers in conducting research. The limitations of the study are as follows.

1. This study limits some of the factors studied which are thought to have an effect on firm value, while these factors are investment decisions, funding decisions, dividend policies and profitability with a limited research year, 2018 to 2020. Because these four factors greatly affect firm value. Besides that, research is also limited to only the years 2018-2020, because many of the summary financial statements have not been released and cannot be calculated.

2. This study limits some of the factors studied which are thought to have an effect on firm value, while these factors are investment decisions, funding decisions, dividend policies and profitability with the object of research only on companies listed on the LQ45 Index on the Indonesia Stock Exchange.

By looking at the limitations stated above, the researcher realizes that no research is perfect. For this reason, the suggestions put forward by the researchers are as follows:

1. For further research, it is hoped that the research will increase in different research periods in order to get better research results.

2. Further research is also recommended to use all proxies related to investment decisions, Funding Decisions, Dividend Policy, and Profitability and then compare the results.

3. In addition, further research is recommended to add independent variables that affect firm value as the

dependent variable, such as external factors such as inflation rates and interest rates.

4.	For further research, it is recommended to use the company's external factors as an independent variable that affects the value of the company with an adequate research model in order to obtain a high Adjusted R^2 value. Adjusted R^2 value is able to provide almost all the information needed to predict the variation of the dependent variable.

5.	In future research, it is expected to use samples from all companies and use a longer year of observation so that the results of the study can describe capital market conditions in allcompanies.

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