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THE INFLUENCE OF DEBT POLICY, DIVIDEND POLICY, INVESTMENT DECISIONS, AND FINANCING DECISIONS ON THE VALUE OF BANKING COMPANIES ON THE INDONESIA STOCK EXCHANGE IN 2019-2023

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Abdul Hafidz TANJUNG[1], Lutfie Fajriyani NOVA[2]
[1,2]Faculty of Economics, PASIM National University, Indonesia
Corresponding author: Lutfie Fajriyani Nova
E-mail: lutfiefajriyaninova24@gmmai.com

Abstract:
This study aims to examine the influence of debt policy, dividend policy, investment decisions, and financing decisions on firm value, both partially and simultaneously. This research was conducted based on the phenomenon that increasing profits are not always followed by positive changes in stock prices, namely, an increase in stock prices. Conversely, when profits decrease, stock prices do not always experience a decrease. The method used in this study is a quantitative method. The population in this study is 43 banking companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. The sampling technique used was a purposive sampling technique, with 14 banking companies selected as samples. The data analysis method used is descriptive and associative analysis using panel data regression analysis. The data processing tool used in this study is STATA version 16. The results of this study indicate that there is a partial and simultaneous influence on the firm value variable in banking companies listed on the IDX for the 2019-2023 period.

Keywords: Debt Policy, Dividend Policy, Investment Decisions, Financing Decisions, Firm Value.

INTRODUCTION

The success of the Indonesian economy is inextricably linked to the banking sector, particularly its role as a source of financing for domestic industries. Beyond its role as a source of financing, the banking industry also has the potential to disrupt the Indonesian economy. It is due to the poor performance of several banks. It is due to high non-performing loans, low liquidity, and a lack of professional management and administration. Banks play a crucial role in a country's economy and must be managed well.

Company value is investors' perception of a company, as measured by its share price. The higher the share price, the higher the company's value. A high share price indicates a high company value. A high company value builds market confidence not only in the company's current performance but also in its prospects. (Efendi, 2022).

Table 1. Company Value Data for Banking Companies on the Indonesia Stock Exchange

No	Code	2019	2020	2021	2022	2023
1	ARTO	(1.064)	(1,300)	2,087	1,010	0,654
2	BABP	0,172	0,153	0,203	0,191	0,246
3	BACA	0,0882	0,0882	0,105	0,189	0,213
4	BAGI	0,216	1,319	0,178	0,186	0,190
5	BBCA	0,233	0,208	0,198	0,203	0,209
6	BBHI	0,134	0,154	0.389	1,379	1,173
7	BBRI	0,176	0,170	0,210	0,194	0,191
8	BBYB	0,226	0,260	0,342	0,234	0,223

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9	BGTG	0,310	0,269	0,334	0,538	0,526
10	BNBA	0,250	0,246	0,347	0,599	0,641
11	MASB	0,130	0,0961	0,131	0,191	0,155
12	MAYA	0,152	0,162	0,132	0,114	0,126
13	MEGA	0,192	0,193	0,168	0,170	0,197
14	NOBU	0,137	0,137	0,092	0,092	0,143

Source: Data has been processed from the financial reports of mining companies listed on the IDX

Based on the above data, it can be explained that the maximum PBV of banking companies for the 2019-2023 period was 0.06297, obtained by BBHI in 2021. The minimum PBV was 0.00021 in BAGI in 2019. The average PBV for banking companies for the 2019-2023 period was 0.00574, with a standard deviation of 0.01235. These results indicate that the PBV of banking companies tended to vary and fluctuate during this period.

Optimizing company value can be achieved by implementing financial management functions, where financial decisions influence other financial decisions and thus influence company value (Hutauruk, 2021). According to Triono Saputro, Executive Director of PPM Manajemen, several companies have agreed to increase their investment prudence. Technology investment makes business processes faster, more effective, and more efficient. The future of business and commerce can no longer be faced with routine activity patterns. Change is a necessity and will be experienced frequently by companies. (cnbcindonesia.com, 2021).

Increasing company value can attract investors to invest. Company value reflects a company's condition, where potential investors make specific assessments of the company's financial performance. (Wulandari, 2022). Investors need information to help them determine whether to buy, hold, or sell their investments. Investors or shareholders are also interested in information that allows them to assess a company's ability to pay dividends. (Tanjung, 2017).

Several researchers have researched company value. Research on debt policy on company value conducted by Grace, M. Budi Widiyo Iryanto (2019), Shelvy Shintia (2020), Dedi Bangun Setiono, Budi Susetyo, and Abdullah Mubarok (2017), Lasmanita Rajagukguk, Valencia Ariesta, and Yunus Pakpahan (2019), shows an influence between debt policy on company value. Meanwhile, research conducted by Vemby Melinia, Maswar Patuh Priyadi (2020), Winda Rina Valen Br Togatorop, Marcellia Susan (2022), and Prasetyo Tri Adi Saputro (2021) shows no influence of debt policy on company value. Based on these research results, there is still a phenomenon where the results regarding the factors influencing company value show inconsistencies in stock price analysis, thus indicating the existence of a research gap. The existence of this difference makes the study of stock prices still interesting to conduct. Therefore, this study aims to re-analyze factors that have the potential to influence stock prices, especially factors related to financial management functions by re-examining the influence of debt policies, dividend policies, investment decisions and financing decisions on the value of banking companies on the Indonesian Stock Exchange in 2019-2023."

Company value. Company value is investors' perception of a company, as measured by its share price. The higher the share price, the higher the company's value. A high share price indicates a high company value. A high company value will build market confidence not only in the company's current performance but also in its prospects. (Efendi, 2022).

Debt policy. Debt policy is a company's external funding policy. The use of debt is highly sensitive to its impact on company value. The use of debt within a company maximizes company value, a practice known as the corner-optimal debt decision. However, company value can also decline due to increased debt use, as the benefits derived outweigh the costs. (Budi Susetyo, 2018).

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Dividend policy. Dividend policy is one factor influencing company value. If dividends are paid high, the stock price tends to be high, thus increasing the company's value. Conversely, if dividends are paid low, the company's stock price will also be low. The ability to pay dividends is closely related to the company's ability to generate profits. If a company generates high profits, its ability to pay dividends will also be high. Therefore, a high dividend will increase the company's value. (Nasution, 2021).

Investment decisions. Investment decisions are about how financial managers allocate their funds for investment to generate future profits. When making investment decisions, when managers have sufficient information, the company should utilize safer securities than riskier ones. A company's value is reflected in its share price. Investors will be attracted to high share prices, and when demand for shares increases, the company's value will also follow. Therefore, the higher the investment decision-making, the greater the likelihood of a company receiving a high return. (Winda Rina Valen Br Togatorop, 2022).

The Influence of Debt Policy on Company Value. Debt policy determines the amount of debt a company will use to finance its assets. Debt policy is often indicated by the ratio of total debt to total equity (DER), which is used to measure a company's solvency. Solvency is a company's ability to pay off all its obligations. Companies with a high level of solvency can result in significant financial risks, but also have the opportunity to generate high profits. Debt policy includes a company's funding policy sourced from external funds. Company management plays a crucial role in regulating and determining the amount of funding required for its operational activities, whether from external funds or debt. A company is considered risky if it has a large portion of debt, but conversely, if the company uses little or no debt, the company is deemed unable to utilize additional external capital to improve its operations (Maswar Patuh Priyadi, 2021). In research on the effect of debt policy on company value conducted by Septariani (2017), Grace, M. Budi Widiyo Iryanto (2019), Shelvy Shintia (2020), Lasmanita Rajagukguk, Valencia Ariesta, and Yunus Pakpahan (2019) show an influence between debt policy and company value. By referring to the framework and research paradigm, as well as previous researchers, the hypothesis of the debt policy variable on company value is as follows: H1: Debt policy affects company value.

The Influence of Dividend Policy on Company Value. Dividend policy determines how much profit shareholders will receive. These profits will determine shareholder welfare, which is the company's primary goal. Fama and French (1998) found that investments generated from dividend policy convey positive information about the company's future, which in turn positively impacts company value. According to the Bird in the Hand Theory, dividend distribution by a company will affect the company's value in the eyes of investors because investors naturally desire high dividend distributions for their investments. The higher the dividend distribution, the greater investor interest in the company, which will ultimately increase the company's value (Fitri Amaliyah, 2020). Research on the effect of dividend policy on firm value conducted by Mardiyanti (2015), Selvy, Martha Ayerza Esra (2022), AA Ngurah Dharma Adi Putra, Putu Vivi Lestari (2020), Ghaesani Nurviandaa, Yulianib, Reza Ghasarmac (2018), and Prasetyo Tri Adi Saputro (2021) indicates an effect of dividend policy on firm value. Referring to the conceptual framework and research paradigm, as well as previous researchers, the hypothesis regarding the effect of dividend policy on firm value is as follows: H2: Dividend policy affects firm value.

The Influence of Investment Decisions on Firm Value. Investment decisions are decisions made by a company to spend its funds on certain assets with the expectation of generating future profits. The goal of investment decisions is to achieve a high level of return with a certain level of risk. Investors will examine how the company management manages its assets, as investment

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decisions will impact the company's profits (Fitri Amaliyah, 2020). In a study of the influence of investment decisions on firm value conducted by Hidayah (2024), Winda Rina Valen Br Togatorop Marcellia Susan (2022), Lasmanita Rajagukguk, Valencia Ariesta, Yunus Pakpahan (2019), Prasetyo Tri Adi Saputro (2021), Ni Putu Ayu Yuniastri, Dewa Made Endiana, and Putu Diah Kumalasari (2021), investment decisions influence firm value. Referring to the research framework and paradigm, as well as previous researchers, the hypothesis regarding the influence of investment decisions on firm value is as follows: H3: Investment decisions influence firm value.

The Influence of Financing Decisions on Firm Value. Financing decisions are one of the most critical and challenging decisions for financial managers because they directly impact a company's financial performance and capital structure. The cost of debt, assumed constant regardless of the proportion of debt used, will increase firm value (Fitri Amaliyah, 2020).

In the research on the influence of funding decisions (profitability) on company value conducted by Mardiyanti (2015), Vemby Melinia, Maswar Patuh Priyadi (2020), Lasmanita Rajagukguk, Valencia Ariesta, Yunus Pakpahan (2019), Eka Krisnawati and Munasiron M (2019), Ni Putu Ayu Yuniastri, Dewa Made Endiana, and Putu Diah Kumalasari (2021), Shelvy Shintia (2020) showed an influence between funding decisions (profitability) on company value. By referring to the framework of thought and research paradigm, as well as previous researchers, the hypothesis of the funding decision variable on company value is: H4: Funding decisions affect company value (Heykal et al., 2024).

METHODS

This research is a quantitative study. The population is 47 banking companies listed on the Indonesia Stock Exchange for the 2019-2023 period. The sampling method used was purposive sampling, resulting in a sample of 14 companies. The data source for this study is secondary data, information taken from financial statements and company annual reports accessed from the official Indonesia Stock Exchange website (www.idx.co.id). The data analysis method used in this study is descriptive and associative. The associative analysis in this study uses panel data regression analysis (pooled data). The data processing tools in this study are Microsoft Excel and STATA 16 software.

RESULT AND DISCUSSION

Descriptive analysis. This study uses data from 70 companies in the banking sector for the period 2019–2023. Descriptive analysis is conducted on five main variables: debt policy, dividend policy, investment decisions, financing decisions, and firm value.

Table 2. Descriptive Analysis Results

Variable	Obs	Mean	Std. Dev	Min	Max
PBV	70	.0057486	.0123587	.0002159	.0629743
DER	70	.3335471	.3722083	.0882586	2.087093
DPR	70	5.78e+09	1.45e+10	3645200	9.47e+10
PER	70	296.4485	759.6244	7.522388	4735.27
ROA	70	.0147839	.0196698	.0001558	.09232

Source: STATA processing results, 2025

Debt Policy. The maximum debt ratio (DER) of banking companies for the 2019-2023 period was 2.087, achieved by ARTO in 2021. The minimum DER was 0.088 in BACA in 2019. The average

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debt ratio for banking companies for the 2019-2023 period was 0.333, with a standard deviation of 0.372.

Dividend Policy. The maximum dividend ratio (DPR) of banking companies for the 2019-2023 period was 947, achieved by BABP in 2019. The minimum dividend ratio (DPR) of MEGA in 2021 was 364. The average debt ratio for banking companies for the 2019-2023 period was 5.78, with a standard deviation of 1.45.

Investment Decisions. The Investment Decision Ratio (PER) for banking companies for the 2019-2023 period reached a maximum of 473, achieved by BNBA in 2021. The minimum PER was 7.52 for BBYB in 2022. The average investment decision ratio for banking companies for the 2019-2023 period was 296, with a standard deviation of 759.

Funding Decisions. The maximum investment decision ratio (ROA) for banking companies for the 2019-2023 period was 0.09232, achieved by ARTO in 2019. The minimum PER was 0.0001558 for BACA in 2021. The average funding decision ratio for banking companies for the 2019-2023 period was 0.0147, with a standard deviation of 0.0196.

Company Value. The maximum PBV of banking companies for the 2019-2023 period was 0.06297, obtained by BBHI in 2021. The minimum PBV was 0.00021 in BAGI in 2019. The average PBV for banking companies for the 2019-2023 period was 0.00574, with a standard deviation of 0.01235.

The Chow test is used to determine the most appropriate fixed effect or common effect model for estimating panel data. If the F-value is less than the significance level (0.05), H0 is rejected and H1 is accepted. The hypotheses formulated in the Chow test are as follows:

H0: Pooled Least Squares
H1: Fixed Effect Model

The Chow test is conducted to determine the most appropriate Fixed Effect (FEM) or Common Effect (CEM) model to use in estimating Panel Data Regression. According to Widarjono (2013, p. 362), the F-statistic test is as follows:

$$\boldsymbol{Fcount} = \frac{(\boldsymbol{RSS2})}{(\boldsymbol{nT} - \boldsymbol{n} - \boldsymbol{K})}$$

Information:
n = Number of individuals
T = Number of time periods
K = the number of parameters in the FEM model
$RSS1$ = Residual sum of squares for PLS models
$RSS2$ = Residual sum of squares for FEM model

Table 3. Chow Test Results

Source	SS	df	MS			
Model	.003621739	17	.000213043	Number of obs	=	70
Residual	.006917196	52	.000133023	F (17, 52)	=	1.60
				Prob > F	=	0.0979

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Total	.01053893S	69	.000152738	R-squared	= 0.3437
				Adj R-squared	= 0.1291
				Root MSE	= .01153

PBV	Coef.	Std. Err.	t	P>|t|	(95% Conf.	Interval)
DER	-.0001677	.0009672	-0.17	0.863	-.0021084	.0017731
OPR	—2.48c—11	1.47C-10	-0.17	0.867	-3.21C-10	2.71C-10
PER	2.910-06	2.360-06	1.23	0.223	-1.830-06	7.64o-06
ROA	.1589321	.1022023	1.56	0.126	-.0461519	.3640161
COMPANY						
2	-.0049984	.0113591	-0.44	0.662	-.0277921	.0177952
3	-.0048853	.0110487	-0.44	0.660	-.0270562	.0172856
4	-.0063366	.0093309	-0.68	0.500	-.0250604	.0123872
5	-.0097118	.008647	-1.12	0.267	-.0270632	.0076396
6	.005271	.0082995	0.64	0.528	-.0113831	.0219251
7	-.0076563	.0090096	-0.85	0.399	-.0257354	.0104229
8	-.0085677	.0083427	-1.03	0.309	-.0253086	.0081731
9	-.0064662	.0091217	-0.71	0.482	-.0247702	.0118378
10	-.0048749	.0082126	-0.59	0.555	-.0213547	.0116049
11	.0004315	.0103139	0.04	0.967	-.0202649	.0211279
12	-.0048345	.0103015	-0.47	0.641	-.0255059	.0158369
13	.0109689	.0089863	1.22	0.228	-.0070634	.0290012
14	-.0065468	.0107334	-0.61	0.545	-.028085	.0149914
_cons	.0069923	.0078137	0.89	0.375	-.0086871	.0226717

Testparm i. Company
(1) 2. COMPANY =0
(2) 3. COMPANY = 0
(3) 4. COMPANY = 0
(4) 5. COMPANY = 0
(5) 6. COMPANY = 0
(6) 7. COMPANY = 0
(7) 8. COMPANY = 0
(8) 9. COMPANY = 0
(9) 10. COMPANY = 0
(10) 11. COMPANY = 0
(11) 12. COMPANY = 0
(12) 13. COMPANY = 0
(13) 14. COMPANY = 0

F (13, 52) = 1.19
Prob > F = 0.3135

Source: STATA processing results, 2025

Based on the data processing results above, which show that the Prob > F value is 0.3135, this result indicates that the hypothesis Prob > F > 0.05 is supported. Therefore, H0 is accepted and H1 is rejected. Based on the Chow test results above, the best panel data model is CEM.

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The Lagrange Multiplier test is a statistical test to determine whether the random effects model is superior to the common effects method. If the Chibar2 profitability value is less than the significance level (0.05), H0 is rejected and H1 is accepted. Conversely, if the Chibar2 profitability value is greater than the significance level, H0 is accepted and H1 is rejected. The hypotheses formed in the LM test are as follows:

H0: Pooled Least Squares
H1: Random Effect Model

Table 4. Lagrange Multiplier Test Results

Estimated result	VAR	Sd=sqrt (Var)
PBV	.0001527	.0123587
e	.000133	.0115336
u	.0000172	.004145
Test Var(u) = 0		
	Chibar2(01)	= 0.14
	Prob > chibar2	= 0. 3565

Source: STATA processing results 2025

Based on the data processing of the Lagrange multiplier test above, which shows that Prob > Chibar2 = 0.3565, this indicates the hypothesis that Prob > Chibar2 > 0.05. Therefore, H0 is accepted and H1 is rejected. From the Lagrange multiplier test results above, the selected panel data model is CEM.

The heteroscedasticity test examines the data from the probability value t and the significance level, with the significance level (0.05). If t is greater than the significance level, then heteroscedasticity does not occur.

Table 5. Results of Heteroscedasticity Test

Breusch-Pagan/Cook-Weisberg test for heteroskedasticity	
H_0: Constant variance	
Variables fitted values of PBV	
Chi2(1)	= 0.61
Prob > chi2	= 0.4360

Based on the data processing of the heteroscedasticity test above, which shows that Prob > Chi2 = 0.4360, this indicates that the Prob > Chi2 value is greater than 0.05, so there is no heteroscedasticity. Next, an autocorrelation test is carried out with the provision that if the Prob > Chi2 value is greater than 0.05, then there is no autocorrelation or the non-autocorrelation assumption is met.

Table 6. Autocorrelation Test Results

Breusch-Godfrey LM test for autocorrelation			
Legs(p)	Chi2	df	Prob > chi2

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1	3.283	1	0.0700

H0: no serial correlation

Based on the data processing of the autocorrelation test above, the result is Prob > Chi2 = 0.0700. It indicates that the Prob > Chi2 value is greater than 0.05, and it can be concluded that there is no autocorrelation, or the non-autocorrelation assumption is met. After conducting the heteroscedasticity test, the autocorrelation test will be conducted. The parameters used in the autocorrelation test are the probability z and the significance level (0.05). If the probability value is greater than the significance level, then there is no autocorrelation, or the non-autocorrelation assumption is met. (Tanjung et al., 2021)

Hypothesis Testing (T-Test). The t-test is conducted to determine the effect of each independent variable on the dependent variable. The t-test indicates the level of influence of one independent variable on the dependent variable, holding the other variables constant. The basis for the t-test decision can be seen from the significance value. For example, the variable's sig value is <0.05 and the calculated t-value is > the t-table (at a significance level of 0.05). In this case, there is a significant influence of the independent variable on the dependent variable.

Table 7. Common Effect Models (CEM)

Source	SS	df	MS			
Model	40.765604	4	10.191401	Number of obs	=	70
Residual	88.153697	65	1.35621072	F (4, 65)	=	7.51
Total	128.919301	69	1.86839567	Prob > F	=	0.0000
				R-squared	=	0.3162
				Adj R-squared	=	0.2741
				Root MSE	=	1.1646

PBV	Coef.	Std. Err.	t	P>|t|	(95% Conf.	Interval)
DER	-6.854094	1.198381	-5.72	0.000	-9.247426	-4.460762
OPR	-5.34345	1.138419	-4.69	0.000	-7.617031	-3.06987
PER	8.426008	2.04497	4.12	0.000	12.51009	4.341922
ROA	.5946226	.1541225	3.86	0.000	.2868187	.9024264
_cons	4.894765	1.683732	2.91	0.005	1.532121	8.25741

Source: STATA processing results, 2025

The Effect of Debt Policy on Firm Value. Based on Table 4.11, proxied by (DER) with a coefficient of -6.85094, a calculated t-value of 5.72 > t-table 1.99, and a sig. 0.0000 < 0.05, Ha is accepted and Ho is rejected, meaning that the Debt Policy variable has a negative effect on Firm Value in banking companies listed on the IDX.

The Effect of Dividend Policy on Firm Value. Based on Table 4.12, proxied by (DPR) with a coefficient of -5.34345, a calculated t-value of 4.69 > t-table 1.99, and a sig. 0.0000 < 0.05, Ha is accepted and Ho is rejected, meaning that the Dividend Policy variable has a negative effect on Firm Value in banking companies listed on the IDX.

The Effect of Investment Decisions on Firm Value. Based on Table 4.13, the proxy (DPR) with a coefficient value of 8.426008, a calculated t-value of 4.12 > t-table 1.99, and a sig. 0.0000 < 0.05,

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Ha is accepted and Ho is rejected, meaning that the Investment Decision variable has a significant negative effect on Firm Value in banking companies listed on the IDX.

The Effect of Funding Decisions on Firm Value. Based on Table 4.14, the proxy (PER) with a coefficient value of 0.05946226, a calculated t-value seen in the common effect model (CEM) table of 3.86 > t-table 1.99, and a sig. 0.0000 < 0.05, Ha is accepted and Ho is rejected, meaning that the Funding Decision variable has a significant effect on Firm Value in banking companies listed on the IDX.

CONCLUSION

Based on data analysis, the following conclusions were obtained: 1) Debt policy has a negative and significant effect on the Company Value variable. In other words, if the debt policy decreases, the company's value will increase. It means that if the debt policy decreases, it will increase the company's value. 2) Dividend policy has a negative and significant effect on the Company Value variable. The value of a company will only be determined by its basic ability to generate profits and its business risks. In other words, the value of a company depends solely on the income generated by its assets, not on how the income is divided between dividends and retained earnings. 3) Investment decisions have a positive and significant effect on the Company Value variable. A high PER indicates a good company investment, so investors will be interested in investing. High stock demand will increase the stock value, and an increase in stock value will affect the increase in the company value through the PBV value. 4) Financing decisions have a positive and significant effect on the Company Value variable. If a company's profitability increases, the company's value will also increase because the company has good performance and management in the company so that it has a level of profitability that continues to increase every year. So investors are increasingly interested in investing in companies that have high profitability. 5) Debt Policy, Dividend Policy, Investment Decisions, and Funding Decisions have a significant simultaneous effect on Company Value based on simultaneous hypothesis testing conducted in the calculated F Value table.

To maintain company value, companies need to reduce their liabilities. To increase company value, they need to reconsider their decision to distribute their profits in the form of dividends. It will allow investors to choose whether to remain invested in the company or invest in other companies to gain greater profits and have better prospects in the future. To maintain positive company value, companies need to consider investment decisions optimally and choose appropriate investment decision alternatives, so that the company can achieve its goal of maximizing company value. To maintain company value, companies need to maintain and increase their net profit to generate good profitability.

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