

The Effect Of Investment Decisions, Funding Decisions, And Inflation Rate On Company Value In The Basic And Chemical Industry Sector Listed On The Indonesia Stock Exchange For The 2017-2021 Period

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ABSTRACT

This study seeks to ascertain the effects of funding choices, investment decisions, and inflation rates on firm value in manufacturing firms in the basic and chemical industries listed on the Indonesia Stock Exchange. In this study, a purposive sample of 10 basic industrial and chemical manufacturing firms was used. With the aid of SPSS 25.0 software for Windows, the analysis used in this study included descriptive statistical analysis, linearity testing, normality testing, classical assumption testing, multiple linear regression analysis testing, correlation coefficient testing, determination (), and hypothesis testing. In contrast to funding decisions, which are shown to have a considerable impact on firm value by independent variables, the results reveal that investment decisions and inflation rates have no significant impact on firm value. Simultaneously investment decisions, funding decisions, and inflation rates have a significant effect on firm value in the basic and chemical industry sectors listed on the IDX.

Keywords: Effect of Investment Decision, Funding Decision, Inflation Rate, and Firm Value

1. INTRODUCTION

With the emergence of numerous types of businesses in the service, manufacturing, and trade sectors that compete with one another to survive and be the best, as well as the presence of a free market, Indonesia's business competition has advanced quickly from day to day in the current era of globalization. As a result, business competition is quite fierce. The primary objective of the corporation is to boost shareholder wealth in order to raise the company's worth. The success of the company's performance is gauged by the attainment of quantifiable targets that are of this sort. For managers and shareholders, maximizing the increase in firm value is crucial. for a manager chosen to run and manage the business. A management has performed well for the organization if they are able to increase firm value, which serves as a benchmark for work performance. (Andriyani, 2015)

The share price of the corporation provides insight into its worth. Since supply and demand on the capital market have reached an agreement, the price of shares is fair and can be used as a stand-in for corporate value (Hasnawati; 2005 in Wijaya and Wibawa; 2010). High stock prices improve a firm's value, and a higher corporate value can boost its shareholders' wealth. Investment decisions are those that investors make in order to spend their money on particular assets in the hopes of earning gains in the future. Future profits are impacted by the decision's nature and scope. Because, in essence, great earnings come with big risks as well. Financial managers' considerations and analyses of the funding sources the company uses are relevant to funding decisions. Retained earnings are used as internal financing sources, and debt or the issuance of new shares is used as external funding sources.

Inflation is the process of raising current prices in an economy. Because inflation fluctuates and is influenced by other factors that affect economic conditions, it is one of the most challenging elements to assess. If a company's marketing goals are exports abroad, there is a very close relationship between inflation and sales level that influences sales. According to Cheysilia Novita Dae's research (2015:4), inflation rate has a detrimental impact on business value. If inflation increases in this situation, investors' interest will decline. Due to the high pace of inflation, prices will decline, and as stock prices decline, so will business values. The manufacturing industry plays a crucial role in society. Companies that supply raw materials or semi-finished items are known as manufacturing companies. The objective is to control and transform these basic ingredients into a product that the market will pay for. One of the manufacturing areas that is crucial for boosting domestic and global trade growth and supporting the development of manufacturing, agriculture, infrastructure, and real estate is the basic and chemical industry sector. Companies in the industrial sector of the economy that consumes continue to innovate, develop quickly, and compete with one another to exhibit their best by enhancing the quality, quantity, and superiority of their individual products.

Indonesia's manufacturing sector contributes 18–20% of the country's GDP, making it one of the country's economic pillars. Thus, the manufacturing sector is dependent on economic growth. However, when looked at in detail annually, the manufacturing stock price growth index experienced unanticipated fluctuations that were balanced every year, but when looked at generally, the growth index manufacturing stock prices have decreased significantly every year, indicating that a small portion of the company's profits are distributed to shareholders (investors), which has an impact on the company's ability to continue operating. This has a significant impact on the company's value and will discourage investors from making investments. This research seeks to ascertain the effects of funding decisions, investment decisions, and inflation rates on firm value in manufacturing firms in the basic and chemical industries listed on the Indonesia Stock Exchange.

2. LITERATUR REVIEW

Investation decision

"Investment decisions are an issue of how financial managers should allocate funds into types of investment that will be able to generate profits in the future," claims Sustrisno (2012: 5). In order to determine whether investments and projects qualify as a good use of the shareholders' money invested in the company, financial managers must assess the costs and benefits of all potential investments and projects, according to Berk and DeMarzo (2017:41). The aforementioned description leads to the conclusion that financial managers must make judgments regarding assets they hold to invest in order to generate future profits.

Funding Decision

Wijaya & Wibawa's definition of financing decisions in Afzal (2012: 4) is as follows: "Funding decisions are decisions about the composition of the funding selected by the company." Funding decisions, in the words of Fenandar (2012:15), "are decisions that influence the company's financial structure." They are "a highly essential decision for the company, because it entails collecting sources of funding for the company's operating activities," according to Noerirawan (2012: 13). The researcher draws the conclusion that funding decisions are choices on how the company will structure its financial resources in order to finance its operational activities.

Inflation

Sukirno (2011: 165) defines inflation as an ongoing, universal increase in the cost of things. Julius (2011: 22) defines inflation as the propensity for prices to continuously increase. Nopirin (2016: 25) defines inflation as the process of consistently raising the average price of products. This does not imply that all of the goods' prices will rise by the same amount. These increases might not be happening simultaneously. What matters is that during a specific time period, the average price of goods continues to rise. The emergence of a rising inflation rate will provide barriers to economic growth; inflation is a key indication when examining a nation's economy. The external balance, rivalry, interest rates, and even income distribution are a few of them.

The value of the company

The corporation wants to increase corporate value in order to enhance shareholder welfare. High shareholder prosperity will follow high corporate value, as may be observed from the company's performance. Company value can be defined as "the price that investors are willing to pay if the company is to be sold," according to Sartono (2010: 9). The idea of corporate value, according to Ronni Noerirawan (2012: 10), is a certain requirement that has been met by a corporation as an example of public trust in the organization through a sequence of activities for one year. From the definition above, it can be concluded that firm value is an investor's perception of the company's level of success which is often associated with stock prices. High stock prices increase market confidence not only in the company's current performance but also in the company's prospects in the future.

3. RESEARCH METHOD

Quantitative research is used in this study. There are 71 firms registered on the Indonesia Stock Exchange, making up the population of this study, all of which are enterprises in the basic and chemical industries (IDX). 61 of these companies did not meet the sample requirements for this research, hence only 10 were used as samples in this study. Descriptive statistical analysis, the linearity test, the classical assumption test using the normality test, the multicollinearity test, the autocorrelation test, and the heteroscedasticity test are also used in this study's testing. Multiple Linear Regression Analysis, Partial Test (t Test), Simultaneous Test (F Test), and Coefficient of Determination Test are the following testing methodologies used in this study (R2).

4. RESULTS AND ANALYSIS

In the descriptive statistical analysis test technique, it shows that the amount of data is 30, an explanation of each variable is explained as follows.

1. The investment decision variable has a minimum value of 0.18, a maximum value of 9.83, and a standard deviation of 3.13081.
2. The funding decision variable has a minimum of 0.01, a maximum value of 4.22, and a standard deviation of 0.98319.
3. The inflation rate variable has a minimum of 2.72, a maximum value of 3.61, and a standard deviation of 0.36993.
4. The firm value variable has a minimum of 0.02, a maximum value of 2.68, and a standard deviation of 0.67058.

A linearity test's findings The significant value and the F value can be used as the basis for decision-making in the linearity test, and in this study, the researchers utilized a method that looked at the significant value. A significant value = 0.003 for the PER variable (X1) is less than 0.05, indicating a substantial linear association between the PER variable (X1) and the firm value variable (Y). A significant value = 0.911 for the DER variable (X2) is more than 0.05, indicating a substantial linear association between the DER variable (X2) and the Firm Value variable (Y). Regarding the inflationary factor (X3), There is a statistically significant linear association between the inflation variable (X3) and company valuation, with a significant value = 0.972 being greater than 0.05. (Y).

The results of the Normality Test by using the probability plot test find that the points are close to the diagonal line in the image. These results indicate that the normality test of the p-plot data is normally distributed. According to the results of the multicollinearity test, where the values of the three variables are greater than 0.05, the tolerance values for investment decision variables, funding decisions, and inflation rates are, respectively, 0.997, 0.997, and 0.995, while the VIF value of investment decision variables, funding decisions, and inflation rates is, respectively, 1.003, 1.003, and 1.005, where the VIF of the three variables is less than 10. The three independent variables do not exhibit multicollinearity since the values of the three variables—investment decisions, funding decisions, and inflation rates—are greater than 0.05 and lower than 10, respectively.

The calculation results show that it can be concluded that there is no autocorrelation in the regression equation of this study. The results of the heteroscedasticity test dots spread above and below or around the number 0. So it can be concluded that there is no heteroscedasticity problem. Based on the results of multiple linear regression, the multiple regression model equation above shows that:

1. The multiple regression coefficient (constant) is 0.935, which means that the values X1, X2, X3 are zero, then the Y value is 0.935.
2. The value of the investment decision coefficient (X1) is 0.146 indicating that for every 1 point increase in the investment decision value (X1), the firm value will increase by 0.146 in the assumption that the variable is in constant conditions.
3. The value of the funding decision coefficient (X2) of 0.542 indicates that for every 1 point increase in the funding decision value (X2), the firm's value will increase by 0.542 in the assumption that the variable is in constant conditions.
4. The coefficient value of the inflation rate (X3) is -0.961 indicating that for every 1 point increase in the value of the inflation rate (X3), the company's value will decrease by -0.961 in the assumption that the variable is in constant conditions.

Based on the partial test (t test) the following results are obtained:

1. The results obtained from calculating tcount with ttable are tcount < ttable (0.765 < 2.037) and sig 0.451 > 0.05, so it can be concluded that investment decisions do not affect the value of manufacturing companies in the basic industrial and chemical sectors listed on the Stock Exchange Indonesia (IDX).

2. The results obtained from calculating t_{count} with t_{table} are $t_{count} > t_{table}$ ($4.327 > 2.037$) and $sig\ 0.000 < 0.05$, so it can be concluded that funding decisions affect the value of manufacturing companies in the basic industrial and chemical sectors listed on the Indonesia Stock Exchange (IDX).
3. The results obtained from calculating t_{count} with t_{table} are $t_{count} > t_{table}$ ($-0.601, 2.037$) and $sig\ 0.553 > 0.05$, so it can be concluded that the inflation rate does not affect the value of manufacturing companies in the basic industrial and chemical sectors listed on the Stock Exchange Indonesian Securities (IDX).

The findings of the simultaneous test (f test) are as follows: Since $sig\ 0.002 < 0.05$, $F_{count} > F_{table}$ ($6.551 > 2.89$), and H_0 is rejected, H_1 is accepted. Thus, it can be inferred that factors such as funding decisions, investment decisions, and inflation rates all simultaneously have a major impact on firm value in manufacturing firms in the basic and chemical industrial sectors listed on the Indonesia Stock Exchange. Results of the coefficient of determination test (R^2) The examination of the coefficient of determination's findings reveal that, with a coefficient of determination of 0.365, investment, funding, and inflation rates together account for 36.5% of company value, whereas other factors that were not addressed in this study account for 18.7%.

5. CONCLUSION

1. The results of the hypothesis test demonstrate that investment decisions in manufacturing firms in the basic and chemical industry sectors listed on the Indonesia Stock Exchange (IDX) do not significantly affect firm value. This conclusion is supported by the finding that $t_{count} > t_{table}$ ($0.765 > 2.037$) when t_{count} and t_{table} are compared. Therefore, H_a is accepted. In basic industrial and chemical manufacturing companies listed on the Indonesia Stock Exchange (IDX), where results from the comparison of t_{count} with t_{table} show that $t_{count} > t_{table}$ ($4.327 > 2.037$), testing the hypothesis demonstrates that funding decisions have a significant impact on firm value. In order to conclude that the results of the comparison of t_{count} with t_{table} are $t_{count} > t_{table}$ ($-0.601, 2.037$), it can be said that H_a is accepted and that the influence of the hypothesis demonstrates that the inflation rate does not have a significant effect on firm value in manufacturing companies in the basic and chemical industry sectors listed on the Indonesia Stock Exchange (IDX). As a result, H_0 is accepted. The results of hypothesis testing show that $F_{count} > F_{table}$ ($6.551 > 2.89$) and $sig\ 0.002 < 0.05$ so that H_0 is rejected and H_1 is accepted. And the results of the coefficient of determination (adjusted R^2) show that the percentage influence of investment decisions, funding decisions, and the inflation rate.
2. The company's worth is 0.365, or 36.5%. While other things affect the remaining 63.5%. Consequently, it can be inferred that factors such as funding decisions, investment decisions, and inflation rates all have a large impact on firm value in manufacturing firms in the basic and chemical industrial sectors listed on the Indonesia Stock Exchange (IDX).

Suggestion

1. In order to fulfill the firm's objectives, namely expanding company value, management must take additional into account and oversee the portions of the organization that need to make repairs or additions to assets.
2. To improve the outcomes of the research, future researchers should increase the number of samples, for example, by adding sectors and the scope of the study or by increasing the number of years of study.

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