EFFECT OF INVESTMENT DECISION AND DIVIDEND POLICY ON FINANCIAL PERFORMANCE

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Abstract: This study aims to determine and analyze effect of investment decision and dividend policy on financial performance. This research uses causal quantitative research. Population used in this study are Manufacturing Companies listed on the Indonesia Stock Exchange for the period 2018 to 2022. This study used a purposive sampling method for sampling. Based on predetermined criteria, the number of samples collected is 15 companies. Statistical analysis in this study used multiple linear regression analysis through partial (t) test. The results show that investment decision has a significant effect on financial performance at Manufacturing Companies listed on the Indonesia Stock Exchange for the period 2018 to 2022. Dividend policy has a significant effect on financial performance at Manufacturing Companies listed on the Indonesia Stock Exchange for the period 2018 to 2022.

Keywords:
Investment Decision, Dividend Policy, Financial Performance

INTRODUCTION

The company is a form of corporation that carries out every type of business, is permanent, continuous, and works within the territory of the Republic of Indonesia, for the purpose of obtaining profits and or profits or Article 1 letter b Law number 3 of 1982 concerning Obligatory Company Registration. With maximum profits or profits, the company can maintain the survival of the company. However, nowadays the business world is developing more rapidly. Many new companies have sprung up, making business competition so tight and competitive. Therefore, corporate actors are required to be able to manage the resources they have more effectively and efficiently in order to support what has been the goal of the previous company.

Currently there are many companies that have been established in Indonesia. All these companies must have short term and longterm goals. The company’s short-term goal is to get...
maximum profit with existing resources, while in the long term the company’s main goal is to maximize company value (Tobing et al., 2018).

Optimization of company value can be achieved through the implementation of the financial management function, where one financial decision taken will affect other financial decisions and impact on company value. Company managers have duties and obligations to make decisions and policies to achieve company goals. To meet investors’ expectations, financial managers try to maximize investor welfare by making various financial decisions and policies, namely funding decisions, investment decisions, and dividend policies. These three financial decisions need to be made because these decisions influence each other and can affect the value of the company.

Financial management concerns the settlement of important decisions taken by the company, including investment decisions, funding decisions and dividend policies. Firm value is not only influenced by the company’s internal factors, but also by external company factors such as interest rates.

Investment decisions are an important factor in the company’s financial function, where the value of the company is solely determined by investment decisions, this opinion can be interpreted that investment decisions are important, because achieving the company’s goals, namely maximizing shareholder wealth, will only be generated through the company’s investment activities. The purpose of investment decisions is to obtain a high level of profit with a certain level of risk. High profits accompanied by manageable risks are expected to increase the value of the company, which means increasing the ability of shareholders to prosper (Pandiangan et al., 2022).

Investments made by companies often provide opportunities for companies to increase their competitive advantage. Investment opportunities that are carried out with the right considerations can further improve the company’s performance. Conversely, investment opportunities that are not utilized properly will actually cause losses or decreased performance for the company.

Dividends contain information or as a signal about the company’s prospects. If the company increases dividend payments, it can be interpreted by investors as a signal of management’s expectations about improving company performance in the future.

This study aims to determine and analyze effect of investment decision and dividend policy on financial performance.

RESEARCH METHODS

This research uses causal quantitative research. Causal quantitative research is useful for analyzing variables with other variables or how a variable affects other variables. This research is also included in the type of explanatory, descriptive, and verification research. Explanatory research is research that explains the position of the variables studied and the relationship between one variable and another (Octiva et al., 2018; Pandiangan, 2018; Pandiangan, 2022). Descriptive research is a type of research that aims to provide a more detailed description of certain symptoms or phenomena. Verification research is a type of research that aims to test a theory or results of previous research, in order to obtain results that strengthen or invalidate the theory or results of previous research.
Population is all data that is of concern within a specified scope and time (Asyraini et al., 2022; Octiva, 2018; Pandiangan, 2015; Sutagana et al., 2022). Population used in this study are Manufacturing Companies listed on the Indonesia Stock Exchange for the period 2018 to 2022. Sample is part of the population (Jibril et al., 2022; Pandiangan et al., 2018; Pandiangan, 2022; Kurdhi et al., 2023). This study used a purposive sampling method for sampling. Purposive sampling method is determining the sample based on certain criteria according to what the researcher wants (Octiva et al., 2021; Pandiangan et al., 2021; Pandiangan et al., 2018; Ratnawita et al., 2023). Based on predetermined criteria, the number of samples collected is 15 companies.

Statistical analysis in this study used multiple linear regression analysis through partial (t) test. t test is a test used to determine whether there is effect of partially between each independent variables on the dependent variable (Sudirman et al., 2023; Pandiangan, 2023; Pandiangan et al., 2023).

RESULT AND DISCUSSION

General Description

An industry or Manufacturing Company is a company that converts raw goods into finished goods that have a high selling value or semi-finished goods into finished goods. In the production process, the company uses tools, equipment, and production machines on a large scale.

In Indonesia, there are several types of companies, one of which is Manufacturing Companies. Manufacturing companies are known as companies that provide products that the market needs. The greater the market demand, the more production processes that party will carry out. The production process in this company will involve various factors. Starting from human resources, and natural resources, to large machine tools. Due to the nature of selling a product, this business activity can be categorized as a trading company. The definition of a Manufacturing Company in business is a business entity that transforms raw goods into semi-finished goods or finished goods that have a sale value. In the processing process, the company operates machinery, equipment, and labor in one medium.

Discussing Manufacturing Companies is actually still very broad. Because of that, in the end, Manufacturing Companies are divided into several sectors according to what they produce. The main sectors in manufacturing itself are divided into three, namely the basic industry and chemical sectors, then there are the various industrial sectors, and finally the consumer goods industry sector. Later, these sectors are further divided into sub-sectors for a more detailed product classification. For more details, you can listen to the list of Manufacturing Companies listed on the Indonesia Stock Exchange along with their sectors.

There are three manufacturing industry sectors listed on the Indonesia Stock Exchange, namely the basic and chemical industry sector, the consumer goods industry, and the miscellaneous industrial sector which is a combination of various sectors not listed in the two previous sectors.
Partial (t) Test

Table 1. Partial (t) Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Decision</td>
<td>0.003</td>
</tr>
<tr>
<td>Dividend Policy</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Dependent: Financial Performance

The results show that investment decision has a significant effect on financial performance at Manufacturing Companies listed on the Indonesia Stock Exchange for the period 2018 to 2022. Investment is making and sacrificing assets owned at this time to obtain assets in the future with a greater amount. If the company has the capability to select and determine funds for investment, then the next step is to find sources of funds to finance these investments (Husnan, 2012).

Dividend policy has a significant effect on financial performance at Manufacturing Companies listed on the Indonesia Stock Exchange for the period 2018 to 2022. The increase in dividend payments is interpreted as management's belief in the improved prospects and financial performance of the company. If the company increases dividend payments, it is interpreted as a signal of management's expectations about the company's improved performance in the future. If management decides to distribute dividends, he must have confidence that his company will have good profitability in the future. From an investor's point of view, one important indicator to assess a company's prospects in the future is to look at the dividends paid (Pandiangan et al., 2022).

CONCLUSION

The results show that investment decision has a significant effect on financial performance at Manufacturing Companies listed on the Indonesia Stock Exchange for the period 2018 to 2022. Dividend policy has a significant effect on financial performance at Manufacturing Companies listed on the Indonesia Stock Exchange for the period 2018 to 2022.

REFERENCES


