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Determinants of Firm Value in Indonesian Manufacturing Companies Listed on the Stock Exchange in 2020-2022

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ABSTRACT

This study examines how funding choices, dividend policies, and investment choices affect firm value in manufacturing companies listed on the Indonesia Stock Exchange between 2020 and 2022. Utilizing a quantitative approach, the research employs purposive sampling to select 27 companies that meet specific criteria as the study's sample. Multiple linear regression is used to analyze the data. The results demonstrate that investment decisions have a positive and substantial impact on the company's worth. However, neither the dividend policy nor the funding decisions have any appreciable effect on the value of the company. Simultaneous testing, however, shows that dividend policy, funding choices, and investment choices all significantly and favorably affect firm value. These findings highlight the importance of investment decisions as a key determinant of firm value in the manufacturing sector. Although funding decisions and dividend policy do not independently affect firm value, their combined effect alongside investment decisions contributes to firm value enhancement.

Keywords: Investment Decisions, Funding Decisions, Dividend Policy, and Firm Value.

INTRODUCTION

In general, a company must have clear goals. Martono & Harjito (2010) stated that the aim of establishing a company is to achieve maximum profits. Ningrum (2021) explains that every company owner definitely wants maximum profits from the business they run. Company owners also expect maximum returns on invested capital so that they can generate additional capital as new investments, then this can provide prosperity for the company owner and all employees. Achieving the profit target is very important because being able to achieve the target or even exceed the target achievement is an achievement in itself for company management. On the other hand, if management is unable to achieve the targets set by the company, this is a reflection on management in managing the company, which as a result can damage the value of the company and investors' trust in the management's career and the company.

Strategy and decisions within the company are in the hands of the financial manager. The work carried out by financial managers is not easy, requiring mastery of expertise and skills in finance, which demands extensive experience. Financial managers need to make the right

decisions because these decisions affect the company's sustainability. Naturally, the company's worth will rise if the financial management is judged to have made profitable and successful decisions for the business. On the other hand, if the actions taken are not effective, it will be detrimental to the company. Financial decisions made by financial managers will influence the number of investors to invest their funds in the company.

According to agency theory, the relationship between managers and shareholders is analogous to the relationship between an agent and a principal. Managers must improve the best business decisions to increase shareholder wealth (Christiawan & Tarigan, 2007). However, shareholders cannot supervise all activities and decisions made by company managers. There is a threat to company owners or shareholders if company managers do things in their own interests and not in the interests of the company owners. Managers who have authority over the company may make decisions that are not best for shareholders by sacrificing the interests of shareholders.

Since they are the ones with the power to run the business, management always knows more about it than shareholders do, which can cause agency problems. Meanwhile, individual shareholders have little power to influence corporate decisions, let alone large companies. This can result in company managers having greater power to act as they see fit without considering the long term of shareholders.

Policies related to company value are investment decisions. Bahrun et al. (2020) stated that the better a company is at making investments, the better the business will perform. The higher the company's investment capacity, it is directly proportional to the funds required. In making investment decisions, companies look at aspects such as high returns, as little risk as possible, minimum costs and fast payback times (Hidayat, 2010).

Apart from that, funding decisions are things made by company management in determining how funding sources will be obtained and used to support a company's operational activities. Funding decisions influence the company's ability to invest. The right funding decisions can provide the right flexibility for company growth and expansion (Hasiara, 2015). Because there are numerous aspects to take into account, identifying finance sources for a firm is not a simple task for managers.

The amount of dividends paid to shareholders is another indicator of a company's worth. According to Prastuti and Sudiarta (2016), the share price has an impact on the dividend's magnitude. If the dividends paid out are high, share prices typically rise as well, increasing the company's value. Another connection is that a company's capacity to generate profits affects its capacity to provide sizable dividends. When companies distribute dividends, funds are usually set aside for reinvestment. The company will also consider its long-term capabilities regarding dividend payments.

Brigham & Houston (2019) the company distributes a large amount of dividends, the worst possibility is that if the company lacks cash then the company will have to reduce the amount of its dividend and that will worsen investors' views regarding the company. Hermuningsih (2012) in Prastuti and Sudiarta (2016) to improve welfare, the goal of investors is to generate returns in the form of dividends or capital gains. For investors who do not wish to speculate, dividends are more alluring than capital gains. In the meanwhile, the business intends to grow in order to continue operating and paying dividends to shareholders.

Research by Sarmin et al. (2021) and Haryadi (2016) indicates that investment decisions positively affect corporate value. However, this study's results contradict those of research by

Arianti & Yatiningrum (2022) and Amaliyah & Herwiyanti (2020), which show that investment decisions have no impact on a company's worth.

Research by Sinaga et al. (2020) and Bahrun et al. (2020) indicates that funding decisions raise the company's worth. However, this study's results contradict those of research by Haryadi (2016) and Tarima et al. (2016), which showed no connection between funding decisions and firm value.

According to studies by Rahmawati (2015) and Prastuti & Sudiarta (2016), dividend policies significantly and favorably impact the value of the company. However, studies by Somantri & Sukardi (2019) and Amaliyah & Herwiyanti (2020) demonstrate that dividend policy has no effect on the company's worth. Based on the explanation above, it can be concluded that this study is titled "Determinants of Firm Value in Indonesian Manufacturing Companies Listed on the Stock Exchange in 2020-2022"

LITERATURE REVIEW

Signaling Theory

A company's management may use signal theory, also known as signaling theory, to inform investors about their perspective on the company's future. Handoko (2021) states that this theory is used to convey information and encouragement from companies to convey company financial report information to external parties. Everyone, both managers and shareholders, has the same information related to the company, which is called symmetric information (Brigham & Houston, 2019). However, in reality, company managers often have more information than external investors. This is known as asymmetric information, which significantly impacts the value of the company. Therefore, to address this asymmetry, signals are sent to external parties through the company's financial statements. Investors should feel confident in the company's long-term viability because the financial statements contain reliable and credible financial data.

According to Gumanti (2009), the business has greater control over information than external parties with a stake in the business. Due to this circumstance, it is extremely challenging for investors to distinguish between high-quality and low-quality businesses objectively. In the meantime, managers of the company they oversee consistently assert that it is growing well and subtly suggests that it has promising profit margins. Good company managers have a desire to convince investors that their company has bright prospects.

According to signaling theory, companies with better future prospects will try to avoid selling company shares and instead raise new capital through debt. Conversely, companies with poor future prospects tend to sell their company shares (Handoko, 2021). Companies that frequently offer new shares for sale cause their stock prices to decrease. Issuing new shares signals negatively, which leads to a decline in stock prices. An increase in stock prices indicates that a company has a high firm value. As the stock price increases, owners benefit more from a high firm value. The relationship between firm value and signaling theory is that if a company fails to convey information or signals regarding its firm value, the company's value will not align with its actual position. This means the company's value can be above or below its true value.

Company Value

Brigham & Houston (2013) the aim of financial management is to maximize share value in order to maximize shareholder wealth. Effective managers are aware of the worth of ethics

and that it is their duty to maximize the value of the firm. A company's share price indicates its worth. Ningrum (2021) said that company value is very influential on shareholder prosperity. This suggests that if the company's value increases, stockholders will benefit more. As a result, the value of the company is ascertained by the share price. One indicator of a company's value is its price to book ratio.

Investment Decisions

Decisions about investments are made by attempting to get a high degree of profit while taking on specific risks. Hidayat (2010). In this instance, some risks can be controlled in the hopes that significant revenues will raise the company's worth.

Knowing how expected gains and investment risks are related is the first step in making an investment choice. To put it simply, there is a one-way relationship between risk and return in investment. This means that the greater the return expected in making an investment, the greater the risk faced by investors. Conversely, investors anticipate a smaller return the lower the risk (Tandelilin, 2010). The Price to Earning Ratio is used to evaluate investment choices.

Funding Decisions

Corporate funding is seen as a collection of funds collected from various sources (Hasiara, 2015). Whereas investors or shareholders put their money into the business as capital participation, creditors put their money into the business as a loan. If a company wants to grow, it needs a good capital structure (Brigham & Houston, 2019). The company's funding structure consists of debt and equity. In making funding decisions, companies must consider an efficient combination of funding sources to support the company's business activities and meet investment needs.

Umdiana & Claudia (2020) based on trade off theory based on considering the advantages and disadvantages of using debt which is very important for companies in choosing the right capital structure. Trade off theory means that interest charged as a tax deduction makes debt cheaper than ordinary shares or preferred shares. In other words, debt has an impact in the form of benefits from tax protection. Companies with a high asset structure usually prefer funding that comes from debt for their capital needs. One statistic used to make funding decisions is the debt to equity ratio.

Dividend Policy

Brigham & Houston (2019) say that companies that succeed in making a profit or income, this income can be used to reinvest into the company, used to pay off debt, and distributed to shareholders as dividends. As share owners, they tend to like the dividends paid by the company to always be stable. They also tend to be attracted to companies that frequently distribute dividends. When a company manager decides how much money to distribute, the finance management needs to keep in mind that maximizing shareholder value is the company's main objective. A rise in the market value of a company's shares is indicated by an increase in its dividend.

Based on the bird in hand theory, investors prefer profits obtained from dividends rather than capital gains. This opinion put forward by Gordon and Linther (1956) was named by MM bird the hand fallacy (Brigham & Houston, 2010). More valuable than a thousand birds in the sky was one bird in the hand, according to Gordon and Linther. Most investors face transaction costs when selling shares, so investors choose to look for a steady and logical flow of funds

with companies paying dividends. Dividend policy is evaluated using the Dividend Payout Ratio.

The Effect of Investment Decisions on Firm Value

Investment decisions are defined as decisions made by a company to determine the allocation of its funds for company activities (Sarmin et al., 2021). For businesses to maximize shareholder wealth through investment operations, investment decisions are an essential component. Investments can take the form of current or fixed assets with the objective of earning profits (earnings) while managing associated risks. The Price to Earnings Ratio (PER), which contrasts stock prices with the company's capacity to produce net income, is used to evaluate investment choices. Companies with good performance typically have higher stock prices, and an increase in net income year by year also influences the rise in stock prices. A high PER ratio indicates a high stock price relative to net income, which can attract investors and signal the company's growth.

Signaling theory states that a company's investment expenditures give investors hope that the business will expand in the future. Well-thought-out investment decisions aimed at maximizing future profits provide a symmetrical signal between company management and investors. The company's stock price will rise and its value will be positively impacted by a high PER ratio of 25.

Prior research by Sarmin (2021), Haryadi (2016), and Somantri & Sukardi (2019) has demonstrated that investment choices significantly and favorably impact firm value. Consequently, one possible version of the hypothesis is as follows:
H1: Investment decisions have a positive effect on firm value.

The Effect of Financing Decisions on Firm Value

The choice of funding sources that a business uses to optimize investments and expenses is referred to as financing decisions. The Debt to Equity Ratio (DER), which contrasts a company's debt and equity, is used to quantify funding sources, which can be either internal or external. While a high DER indicates a company's reliance on debt, a low DER indicates the company's ability to repay its debts. According to trade-off theory, the use of debt provides tax benefits because interest expenses can reduce taxable income (Utami, 2012). Additionally, the use of debt encourages managers to be more disciplined and meticulous in selecting investments. Companies should opt for external funding when its benefits outweigh the costs.

Undiana and Claudia (2020) argue that greater company growth attracts investors to invest in its stock and facilitates the management in obtaining debt due to investors' confidence in the company. Corporate management can use debt as a signal that investors trust the company's funding composition. Investors perceive that the company is confident in its future prospects, which in turn increases its value.

According to signaling theory, managers provide information regarding the company's financing decisions (Bahrun et al., 2020). Financing decisions can be categorized into two sources: debt and equity. Amaliyah and Herwiyanti (2020), referencing the trade-off theory by Myers, state that companies will take on debt up to a certain level to benefit from tax shields. Companies can calculate the interest expense paid to creditors as a deductible in taxable income, resulting in lower tax payments. On the other hand, an increase in debt may signal the company's future ability to meet its obligations. In other words, additional debt provides a positive signal.

Prior research by Sinaga et al. (2020) and Bahrun et al. (2020) has demonstrated that finance choices significantly and favorably impact firm value. Consequently, one way to formulate the hypothesis would be as follows:
H2: Financing decisions have a positive effect on firm value.

The Effect of Dividend Policy on Firm Value

As compensation for their investment in the business, a firm may pay out dividends to its shareholders in the form of cash or stocks (Sarmin et al., 2021). Choosing whether to distribute all of the company's profits to shareholders or to retain a portion of them as dividends and keep the remainder as retained earnings is known as the dividend policy. Based on signaling theory, investors need to understand the company's dividend policy to anticipate the returns they will receive. A high proportion of net income distributed as dividends attracts investors to purchase the company's shares, as they view the company as having strong prospects. According to Amaliyah (2020) in the bird-in-the-hand theory, a company's dividend distribution affects its value because investors prefer high dividend payouts for their investments. This, in turn, increases the firm's value.

According to earlier research by Rahmawati (2015), Prastuti & Sudiarta (2016), and Dwianggoro (2022), dividend policy significantly and favorably affects corporate value. As a result, one way to formulate the hypothesis would be as follows:
H3: Dividend policy has a positive and significant effect on firm value.

METHODOLOGY

Population and Sample

This study's methodology is quantitative. Sugiyono (2013) said that research using quantitative methods is defined as a method for researching certain populations or samples. The Indonesian Stock Exchange website (www.idx.co.id) provided the study data, with the selected companies, namely manufacturing companies. The period or time span of the sample company data is from 2020 to 2022.

The population of manufacturing companies is 217 companies. The sampling technique was carried out using the purposive sampling approach. The following are the sample criteria used by manufacturing companies:

a. For 2020–2022, listed on the Indonesian Stock Exchange, the company is part of the manufacturing sector.
b. Manufacturing companies with IDX listings and consistently release financial reports covering the 2020–2022 timeframe.
c. From 2020 to 2022, manufacturing firms listed on the IDX made money.
d. Manufacturing companies with IDX listings that, over the years 2020–2022, consistently pay out cash dividends.
e. Manufacturing firms whose financial reports for the 2020–2022 period employ the Rupiah currency.
f. Manufacturing firms have the full data required for this study that are listed on the IDX.

Twenty-seven businesses were sampled for this study based on these criteria. The data used is from 2020 to 2022, so the number of companies is multiplied by 3, resulting in 81. This 81 is the total sample in this study. Secondary data is one of the types of data used in research. Sugiyono (2013) states that secondary data was obtained indirectly to data collectors for

example through documents. Secondary information in The Stock Exchange Indonesia (www.idx.co.id) and the financial reports used in this study were taken from the official websites of each company.

Operational Definition and Measurement of Research Variables

1. Dependent Variable

The output variable, criterion, and consequence are the dependent variables (Sugiyono, 2013). The dependent variable is the output, criterion, or consequence variable (Sugiyono, 2013). In Indonesian, it is often referred to as the *variabel terikat*. The dependent variable is the result or effect of the independent variable since the independent variable affects the dependent variable. The study's dependent variable is firm value. The stock price of a firm is a good indicator of its worth. Maximizing value for owners, in this case shareholders, is a company's top priority (Brigham & Houston, 2013). Firm value is determined in this study using the Price to Book Value (PBV) ratio. When the stock price and book value are compared, the PBV ratio is determined.

$$PBV = \frac{Stock\ Price}{Book\ Value}$$

Explanation:
Stock Price : The closing stock price per share.
Book Value : The book value per share.

Book value is calculated by dividing the company's equity by the total number of outstanding shares. A high PBV value suggests that the stock price of the company is overpriced, or above its fair value. Conversely, a low PBV ratio indicates that the stock price of the company is undervalued, or below its fair value.

2. Independent Variables

That affect or result in changes to the dependent variable are known as independent variables. In Bahasa, dependent variables are often referred to as *"Varibel Bebas"* (Sugiyono, 2013). Three independent factors are included in this study: dividend policy, finance decisions, and investment decisions.

a. Investment Decisions

Investment decisions are choices a business makes to allocate its funds in the hope of making money later on. Investment decisions are expected to generate high profits with a manageable level of risk (Hidayat, 2010). High profits can therefore boost investor confidence in purchasing the company's stock, which will raise the value of the business. The Price to Earnings Ratio (PER) is used in this study to gauge investing choices. By contrasting the stock price with the company's earnings, this ratio is calculated.

$$PER = \frac{Stock\ Price}{Earning\ per\ Share}$$

Explanation:
Stock Price : The closing stock price per share.
EPS (Earnings Per Share) : The company's total profit divided by the number of outstanding shares yields the earnings per share. The ability of the business to produce profits or earnings for the business is gauged by the Price to Earnings Ratio (PER).

b. Financing Decisions

Decisions about the company's finance composition are referred to as financing decisions. According to Brigham & Houston (2019), a company that wants to grow must have a sound capital structure. The Debt to Equity Ratio (DER) is a metric used to evaluate financing decisions. This ratio contrasts the debt and equity of the business.

$$DER = \frac{Total\ Debt}{Total\ Equity} x\ 100\%$$

The greater the DER ratio, the more debt the business is financing. On the other hand, the lower the DER ratio, the less debt the company uses, which suggests that it has a greater capacity to pay back its loans.

c. Dividend Policy

The choice of whether a company's profits will be paid out as retained earnings or distributed as dividends to shareholders for funding future investments is known as the dividend policy (Brigham & Houston, 2019). The Dividend Payout Ratio (DPR) is used in this study to quantify dividend policy. This ratio is used to compare earnings per share and dividends paid per share.

$$DPR = \frac{DPS}{EPS}$$

Explanation:
DPS : Dividends paid per share.
EPS : Earnings per share, earnings per share is calculated by dividing the company's total profit by the number of outstanding shares.

A high dividend payout ratio (DPR) indicates that payouts account for a sizable portion of the company's earnings. Investor interest in buying firm stock may rise as a result.

RESULTS AND DISCUSSION

Normality Test

Based on the data in Table 1, the normality test was conducted using the Kolmogorov-Smirnov test. The distribution of the residual data is normal, as the table demonstrates. The Asymp. Sig. (2-tailed) value is 0.063 and the K-S value is 0.096. 0.063 > 0.05 indicates that the significance level exceeds 0.05. The residual data is considered regularly distributed if the

significance value is greater than 0.05. From this result, we can conclude that the data from the variables of firm value, dividend policy, financing decisions, and investment decisions are regularly distributed.

Table 1. Normality Test

	Unstandardized Residual	*Conclusion*
N	81	
Asymp. Sig. (2-tailed)	0,063	The distribution of the data is normal.

Source: Processed with SPSS 25 (2024)

Multicollinearity Test

According to the multicollinearity test results, the independent variables—dividend policy, finance decision, and investment decision—have VIF values below 10.00 (VIF < 10.00) and tolerance values more than 0.10 (tolerance > 0.10). Consequently, it can be said that the regression model employed in this investigation does not contain multicollinearity.

Table 2. Multicollinearity Test

Variable	*Collinearity Statistic*		Conclusion
	Tolerance	*VIF*	
Investment Decisions	0,941	1,063	Multicollinearity is absent.
Funding Decisions	0,972	1,028	Multicollinearity is absent.
Dividend Policy	0,935	1,070	Multicollinearity is absent.

Source: Processed with SPSS 25 (2024)

Heteroscedasticity Test (Glejser Test)

One of the traditional assumption tests in regression analysis is the heteroscedasticity test, which determines if the residual values in the regression model vary unequally from one observation to the next. Homoscedasticity is the state in which the variance of residual values from one observation to the next stays constant. On the other hand, heteroscedasticity is the term used when the variance varies from one observation to another. Table 3 demonstrates that, in relation to the dependent variable, rhe significance value (Sig.) of every independent variable is more than 0.05. Thus, one could argue that heteroscedasticity is not present in the regression model.

Table 3. Heteroscedasticity Test

Variable	*Sig.*	Conclusion
Investment Decisions	0,870	Heteroskedasticity does not exist.
Funding Decisions	0,840	Heteroskedasticity does not exist.
Dividend Policy	0,086	Heteroskedasticity does not exist.

Source: Processed with SPSS 25 (2024)

Autocorrelation Test (Durbin-Watson)

According to Table 4's findings, the Durbin-Watson value is 2.182. At a 5% significance level, this value is contrasted with the Durbin-Watson table (DW). This study has three independent variables (k=3) and a sample size of 81 (n=81). According to the Durbin-Watson table, du is 1.7164 and dl is 1.5632.

It can be concluded that the DW value of 2.182 is greater than du (1.7164) but less than (4 - du), which equals 2.2836. Based on the decision rule (du < d < 4 - du), we can see that (1.7164 < 2.182 < 2.2836). This implies the suitability of the regression model for usage since there is no autocorrelation issue and neither positive nor negative autocorrelation between the independent variables.

Table 4. Autocorrelation Test (Durbin Watson)

Durbin-Watson	Conclusion
2,182	No autocorrelation

Source: Processed with SPSS 25 (2024)

Results of Multiple Linear Regression Analysis

Regression form is used to display regression analysis, is a method for determining whether or not there is an influence between two variables in a study.

Table 5. Multiple Linear Regression Analysis

Model	*Unstandardized Coefficients*
	B
(Constant)	0,042
Investment Decisions	0,112
Funding Decisions	-0,228
Dividend Policies	1,039

Source: Processed with SPSS 25 (2024)

The multiple linear regression equation that follows is derived from the multiple linear regression analysis's findings:

$$\mathbf{Y = 0{,}042 + 0{,}112X1 - 0{,}228X2 + 1{,}039X3 + e}$$

Hypothesis Test Results

The purpose of the t test is to determine if the independent factors have a partial (individual) influence on the dependent variable.

Table 6. Hypothesis Test Results

Model	t	Sig.
(Constant)	0,133	0,894
Investment Decisions	6,821	0,000
Funding Decisions	-1,114	0,269
Dividend Policies	1,906	0,060

Source: Processed with SPSS 25 (2024)

With a t-count of 6.821 and a probability value of 0.000, the investment choice variable has a hypothesis test result in the preceding table. The significance level (0.000 < 0.05) is less than 0.05. In addition, the estimated t-value was higher than the t-table (6.821 > 1.99125), as indicated by the t-table value of 1.99125. The regression coefficient value of 0.112, which indicates a positive influence, was derived from the multiple regression test findings. Therefore, it can be concluded that the factor influencing investment choices has a positive and substantial impact on the company's worth.

The funding decision variable has a probability value of 0.269 and a t-count of -1.114, according to the hypothesis results in the above table. The significance level (0.269 > 0.05) is higher than 0.05. In addition, the estimated t-value is bigger than the t-table (-1.114 > -1.99125), as demonstrated by the 1.99125 t-table value. Thus, it can be said that the variable pertaining to funding decisions has no bearing on the value of the company.

According to the hypothesis test findings in the above table, the t-count for the dividend policy variable is 1.906, and its probability value is 0.060. The significance level (0.060 > 0.05) is higher than 0.05. In addition, the t-table exceeded the expected t-value (1.906 < 1.99125), as indicated by the t-table value of 1.99125. Therefore, it can be concluded that the dividend policy variable has no effect on the company's value.

Simultaneous Test (F-count)

The purpose of the F test is to ascertain how concurrently (collectively) independent variables affect the dependent variable.

Table 7. Simultaneous Test (F-count)

F-Table	F-Counting	Sig.
2,72	19,905	0,000[b]

Source: Processed with SPSS 25 (2024)

The F-count value is 19.905 and the significance value is 0.000, according to the results in the above table. The significance level (0.000 < 0.05) is less than 0.05. In addition, the estimated F-value was higher than the F-table (19.905 > 2.72), as demonstrated by the 2.72 F-table value. Therefore, it can be said that decisions on finance, investments, and dividend policies all significantly and favorably impact the value of the company.

The study's findings demonstrate that investment choices have a favorable and substantial impact on a company's value. This occurs because the business will turn a profit when management are able to choose investments wisely. This will provide the impression that the business is operating at its best, which will raise its worth. The study's findings are consistent with signaling theory. Financial reports from reputable companies will give you confidence in the company's future. Investors can learn about the company's success through financial reports, which also provide financial ratios for use in decision-making. Investors are encouraged to purchase shares when they receive encouraging signals about the company's potential for future growth, which raises share prices. An growth in the worth of the company is shown by rising share prices.

The value of the company is unaffected by funding decisions. DER-proxied financing decisions do not result in changes in PBV. Investors are unable to recognize opportunities in funding decisions as an investment decision because manufacturing companies continue to use debt in suboptimal ways. Lenders will offer high-interest loans to offset the risk of bankruptcy if the capital costs of debt are higher. Utilizing debt will not yield significant advantages for

the business; rather, it will simply raise expenses. Investors believe that debt accumulation will result in bankruptcy. The company's worth will decline as a result of this investor impression.

The value of the corporation is unaffected by dividend policy. The dividend irrelevance theory is supported by the findings of this study. The dividend irrelevance theory was put forth by Merton Miller and Franco Modigliani in 1958. They claim that a company's worth is based only on its fundamental capacity to produce profits and manage business risks, not on the magnitude of its dividend payout ratio. The more cash payments made to shareholders, the higher the dividend payout ratio value. Retained earnings decrease when more money is distributed as dividends. Little retained earnings means that the company's opportunities to increase company growth are increasingly limited. This results in a decrease in share prices and a decrease in company value. An investor prefers profits from capital gains compared to dividends because dividend yields tend to be smaller. So investors prefer companies to re-secure their profits for company investment so as to increase company value.

CONCLUSION AND SUGGESTION

Investment choices have a positive and substantial impact on a company's worth. The choice of finance has no bearing on the company's worth. The value of the corporation is unaffected by dividend policy. Investors can use this information as a guide when making investments in order to boost company value and generate profits in the future. When investing, investors should look at the company's financial reports from year to year so that by doing this they can gain confidence that the company is performing well and has attractive future prospects.

Businesses can utilize this research as information to raise their company's worth and entice investors to purchase stock. According to this research, investment decision variables have a favorable impact on company value, thus businesses should pay attention to them. Apart from that, companies also need to pay attention to other factors that influence company value. Companies also need to provide financial information through clear financial reports to reduce asymmetric information in accordance with signaling theory. In this way, external parties have accurate information about the company's condition.

Future researchers should extend the observation period to include more years, which will better reflect the company's long-term condition. Additionally, it is recommended that future studies incorporate other factors that may influence company value beyond those considered in this research. A more thorough comprehension of the elements influencing firm value can be attained in this way.

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