



# THE INFLUENCE OF FINANCIAL PERFORMANCE AND INVESTMENT DECISIONS ON COMPANY VALUE WITH DIVIDEND POLICY AS A VARIABLE INTERVENING

Dana Melina Agustina<sup>1</sup>, Dyas Anggarani<sup>2</sup>, Gita Sugiyarti<sup>3</sup>

<sup>1</sup>Faculty of Economics and Business. University 17 August 1945 Semarang

<sup>2</sup>Faculty of Economics and Business. University 17 August 1945 Semarang

<sup>3</sup>Faculty of Economics and Business. University 17 August 1945 Semarang

## ABSTRACT

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*The aim of this research is to analyze the influence of financial performance and decisions investment towards dividend policy with company value as an intervening variable. The research method uses a quantitative approach in banking sector companies listed on the IDX for the 2018-2022 period. The analysis method for this research uses SPSS (Statistical Product and Service Solution). The results of the research show that the influence of financial performance has a positive and significant effect on company value, financial performance has a positive and significant effect on dividend policy, investment decisions have a positive and significant effect on dividend policy, investment decisions have a positive and significant effect on company value. Results of the influence of dividend policy mediating financial performance variables and investment decisions on company value.*

**KEYWORDS:** *dividend policy, investment decisions, financial performance, company value*

## INTRODUCTION

Banking companies play a key role in a country's economy. They are responsible for the collection and allocation of funds, and have a significant impact on financial stability and economic growth. In the business world, banking companies play a key role in the global economy. The financial performance of banking companies is very relevant in determining company value and influencing investors, regulators and other stakeholders. Therefore, understanding the factors that influence the financial performance of banking companies is essential. Strong financial performance can have a positive impact on a company's value, as the company generates revenue, net income and cash flow from its operations.

Investment decisions in a company allocate its

financial resources to investment in a project or asset that has the potential to generate returns. Consistent and large dividend payments can make a company's stock more attractive to investors looking for cash income. Conversely, companies that choose to allocate more profits to reinvestment in the business (investment decisions) rather than paying dividends will probably have greater growth and long-term profit potential, which can also increase company value. In a complex and fluctuating environment such as the banking sector, investment decisions are a strategic element that can influence a company's growth, profitability and stability. Good investment decisions can create added value for the company, while unwise investment decisions can result in financial losses and unnecessary risks.

Banking company dividend policies also have a

significant role in creating company value. Dividend policy influences how a company distributes profits to shareholders, which in turn can influence investors' expectations about future earnings, stock prices, and investment value.

It is important to understand how investment decisions and dividend policies together influence the financial performance of banking companies. Previous research (Sulistiono and Yusna 2020)(Deska 2022)(Santosa, Aprilia, and Tambunan 2020) states that dividend policy has a significant effect on company value, whereas according to (Adrianingtyas 2019) dividend policy has no significant effect on company value.

The problem formulation of this research is how financial performance is affected on company value, how investment decisions taken by the company affect company value, is there an influence of dividend policy on the relationship between financial performance and company value, how does dividend policy mediate the influence of financial performance and investment decisions on company value.

This research aims to investigate the influence of financial performance, decisions investment in the value of banking companies by taking dividend policy as an intervening variable. By understanding these dynamics, it is hoped that this research will provide a deeper understanding of the factors that influence company value in the banking sector and can provide guidance for policy makers in formulating more effective strategies.

## LITERATURE REVIEW

### Financial Performance

Financial performance is the company's operational achievements during a period. Financial performance can be seen from the company's ability to generate income from capital invested by shareholders (Enomate 2021). Financial performance is an analysis carried out to see the extent to which a company has implemented financial implementation rules properly and correctly (Deska 2022). Financial performance is a very important thing, because company performance has an influence and can be used as a tool to find out whether the company is experiencing development (Adrianingtyas 2019).

So financial performance is a variable used to assess the extent to which a company is successful in achieving its financial and operational goals. So financial performance assessment has an important role in making business and investment decisions. Positive financial performance results reflect the company's ability to generate profits, manage resources efficiently,

and survive in the long term. In this research, it is measured using Return On Assets (ROA), which is a ratio used to measure the ability to generate profits from investment activities.

### Investation Decision

An investment decision is a company's commitment to invest its funds with the aim of getting a profit contribution compared to future investment risks (Sulistiono and Yusna 2020). According to (Deska 2022) investment is a current commitment of money or other resources with the hope of making a profit in the future. Apart from that, investment decisions are decisions about what assets will be managed by the company (Adrianingtyas 2019).

Investment decisions are choices about the allocation of financial resources to purchase assets or projects with the hope of gaining profits in the future. Investment decisions involve assessing the risks associated with an investment. Through diversification of investment portfolios, companies can reduce their financial risks. The indicator used to measure investment decisions is total asset growth to measure the growth rate of total assets from year to year.

### Dividend Policy

Dividend policy can help curb the adverse effects of excessive investment by reducing free cash flow in corporate companies and better monitoring duties from outside parties (Nguyen Trong and Nguyen 2021). Dividend policy is an important factor that determines a company's financial performance because it significantly reduces the amount of money that will be invested and this will affect the company's subsequent performance (Enomate 2021). A good dividend policy connects the wishes of shareholders with the company so that they get mutually beneficial decisions (Deska 2022).

Dividend policy is a decision or strategy taken by a company regarding how to distribute profits to shareholders. Dividend policy must consider the company's capital adequacy and liquidity. Companies must be able to meet their financial obligations and have sufficient capital to run their operations well. The indicator for dividend policy is using the dividend payout ratio (DPR), because it can better describe managerial opportunistic behavior, namely by looking at how much profit is distributed to shareholders as dividends and how much is kept in the company (Sarif and Suprajitno 2021).

### The Value Of The Company

Company value is investors' perception of the manager's level of success in managing company

resources entrusted to them which are often linked to share prices (Deska 2022). Company value is a form of company achievement that comes from public trust in the company's performance after going through a long process of activities (Adrianingtyas 2019). Company value is the company's ability to generate profits, which can be calculated using profitability ratios (Adrianingtyas 2019).

Company value is an analysis carried out to determine intrinsic value a company. Corporate value research helps investors, both individuals and institutions, in identifying companies that can be profitable investments. This helps avoid investments that are high risk or companies that may not have good growth prospects. Company value in this study is measured using price to book value (PBV), which is a comparison between market price and book value of shares.

## **RELATIONSHIP BETWEEN VARIABLES**

### **The Influence Of Financial Performance On Company Value**

The level of company profitability is information released by the company as a signal to attract investors' interest in investing in the company. The higher the company's profitability, the more investors will be interested in investing in that company (Bon and Hartoko 2022). According to research (Deska 2022) it is stated that financial performance variables have a positive effect on company value. Based on the description above, the following hypothesis can be proposed:

H1: financial performance has a positive and significant effect on company value

### **The Influence Of Financial Performance On Dividend Policy**

Profitability is a comparison used to calculate a company's performance in creating profits from its business actions. With a high level of profit for a company, the welfare of shareholders of one of the company's stakeholders will increase (Prasetya Margono and Gantino 2021). According to research (Adrianingtyas 2019) states that financial performance has a positive and significant influence on dividend policy. Based on the description above, the following hypothesis can be proposed:

H2: financial performance has a positive and significant effect on dividend policy

### **The Influence Of Investment Decisions On Dividend Policy**

Uncertainty in the future is a factor considered by market players shares. When a company makes an investment decision. Investment uncertainty can arise due to technological advances, changes in socio-economic conditions, factors related to climate change and government policies. Apart from that, stock market players become discouraged when some profits are not distributed as dividends to company owners, even when the investment is successful (Juwinta, Muis, and Pono 2021). According to research (Deska 2022) states that investment decisions have a positive effect on dividend policy. Based on the description above, the following hypothesis can be proposed:

H3: investment decisions have a positive and significant effect on dividend policy

### **The Influence Of Investment Decisions On Company Value**

Investment decisions are long-term capital investment decisions regarding expectations of company profits in the future (Triani and Tarmidi 2019). According to research (Adrianingtyas 2019), (Kurniawan 2020), and (Triani and Tarmidi 2019) it is stated that investment decisions have a positive influence on company value. Based on the description above, the following hypothesis can be proposed:

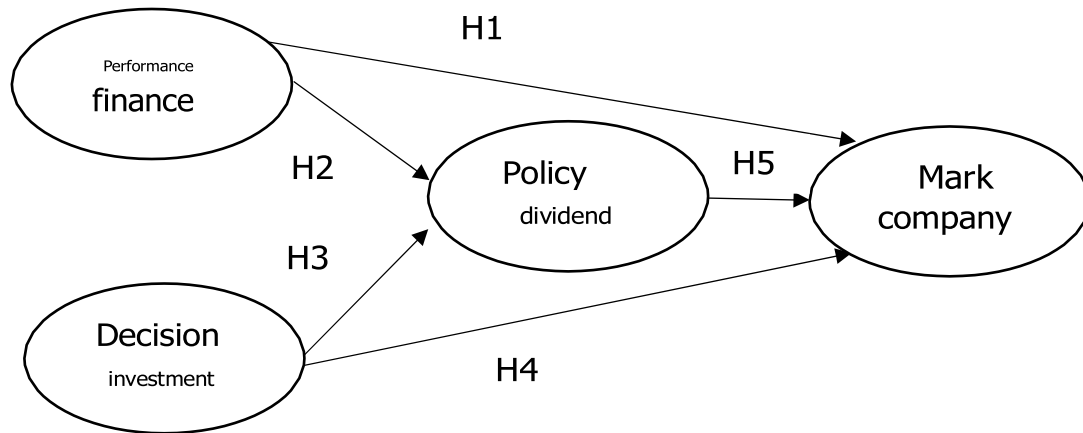
H4: investment decisions have a positive and significant effect on company value.

### **The influence of dividend policy on company value**

In this research, dividend policy is a decision on how much of the company's profits at the end of the year will be distributed to shareholders. According to research (Sulistiono and Yusna 2020), (Triani and Tarmidi 2019), and (Salama, Rate, and Untu 2019) states that dividend policy has a positive effect on company value.

H5: dividend policy has a positive effect on company value

Based on the description above, a research model was created as shown in the image:



**METHOD**

**Research Variables and Their Measurement**

In this research, the data used is secondary data, namely data from annual reports of banking companies listed on the IDX in 2018-2022 and contains data for financial performance variables, investment decisions, company value and dividend policy.

Data was collected by conducting library research, namely by recording data financial statements audited and annual reports listed on the 2018-2022 BEI. These data are used to assess the relationship between financial performance

variables, investment decisions, company value and dividend policy.

**Population, Sample and Sampling**

The population in this research are banking companies listed on the BEI in 2018-2022. The population in this study are basic industrial and chemical sector companies listed on the IDX for the 2018-2022 period with a total of 43 companies. Sample From this research there were 13 companies. The sampling technique for this research is a purposive sampling technique, namely a technique for determining samples with certain considerations. The companies sampled in this research are.

**Table 1. Research Sample**

NO	Code	Company name
1	READ	PT. Bank Capital Indonesia Tbk
2	BBCA	PT. Bank Central Asia Tbk
3	BBKP	PT. Bank Bukopin Tbk
4	BBMD	PT. Bank Mestika Dharma Tbk
5	BBNI	PT. Bank Negara Indonesia Tbk
6	BBTN	PT. Bank Tabungan Negara Tbk
7	BDMN	PT. Bank Danamon Tbk
8	BMAS	PT. Bank Maspion Indonesia Tbk
9	BNGA	PT. Bank CIMB Niaga Tbk
10	BSIM	PT. Bank Sinarmas Tbk
11	BTPN	PT. National Pension Savings Bank Tbk
12	BVIC	PT. Bank Victoria International Tbk
13	SDRA	PT. Association of Brothers 1906 Tbk

**Operational Definition**

**Financial Performance**

Financial performance is a variable used to assess the extent to which a company is successful in achieving its financial and operational goals. So financial performance assessment has an important role in making business and investment decisions. The

indicator used in this research is Return On Assets (ROA).

**Investation Decision**

Investment decisions are Investment decisions are resource allocation choices financial means to purchase assets or projects in the hope of making a

profit in the future. Investment decisions involve assessing the risks associated with an investment. Through diversification of investment portfolios, companies can reduce their financial risks.

The indicator used to measure investment decisions is total asset growth to measure the growth rate of total assets from year to year.

**Dividend Policy**

Dividend policy is a decision or strategy taken by a company regarding how to distribute profits to shareholders. Dividend policy must consider the company's capital adequacy and liquidity. Companies must be able to meet their financial obligations and have sufficient capital to run their operations well. The indicator for dividend policy is using the dividend payout ratio (DPR).

*Dividen Payout Ratio*

$$= \frac{\text{Dividen per Share}}{\text{Earning per Share}} \times 100\%$$

**The Value Of The Company**

Company value is an analysis carried out to determine intrinsic value

a company. Corporate value research helps investors, both individuals and institutions, in identifying companies that can be profitable investments. This helps avoid investments that are high risk or companies that may not have good growth prospects. The measuring instrument used for company value used in this research is Tobin Q.

$$\text{Tobin } Q = \frac{(OS \times P) + (D + 1) - CA}{TA}$$

**RESEARCH RESULT**

**First Regression Analysis Results**

**Table 2. Model 1 Determination Coefficient Test Results**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.568	.323	.302	.03652

a. Predictors: (Constant), TAG, ROA

In the coefficient of determination test table above the R square value or coefficient of determination of 0.323 shows that variations in dividend policy can be explained by the variables profitability and total asset growth of 0.323. This means that the profitability and

**Data Analysis Technique**

The data analysis technique used in this research is analysis

regression. This analysis is used to find out and obtain an overview of the influence of financial performance on company value with dividend policy as an intervening variable in banking companies on the Indonesian stock exchange in 2018-2022 with the help of the SPSS (Statistical Product and Service Solution) program.

The analysis model in this research includes hypothesis testing through regression with the following equation:

**Company Value**

$$= \beta_0 + \beta_1 \times \text{Financial Performance} + \beta_2 \times \text{Investment Decisions} + \beta_3 \times \text{Dividend Policy} + \epsilon$$

In the equation,  $\beta$  is the regression coefficient to be estimated, and  $\epsilon$  is the random error. Next, coefficient significance tests and assumption tests will be carried out to validate the regression model used.

According to Ghozali (2006), the accuracy of the sample regression function in estimating the actual value can be measured from the Goodness of fit. Statistically, if the statistical test value is in the critical area (the area where  $H_0$  rejected). On the other hand, it is said to be not significant if the statistical test value is in the  $H_0$  area accepted.

total asset growth variables have an influence on capital structure of 32.3% and the remaining 67.7% is influenced by other variables not included in the research.

**Table 3. Model 1 Regression Test Results**

**Coefficientsa**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.018	.011		-1,764	.085
	ROA	.422	.078	.565	5,154	.000
	TAG	.000	.016	.334	3,102	.002

a. Dependent Variable: DPR

Based on the table of regression test results, it can be seen that the significant level of profitability (ROA) is 0.000, which indicates that the significant level is greater than the real level ( $0.000 < 0.005$ ), so it can be concluded that the profitability variable has a significant effect on dividend policy. The magnitude of the influence can be seen from the standardized coefficient figure of 0.565 or 56.5% and is considered significantly positive. The significant

level of the Total Asset Growth (TAG) variable is 0.002 which indicates the level significantly greater than the real level ( $0.002 < 0.005$ ), so it can be concluded that the TAG variable has a significant effect on dividend policy. The magnitude of the influence can be seen from the standardized coefficient figure of 0.334 or 33.4% and is considered significantly positive.

**Second Regression Analysis Results**

**Table 4. Model 2 Determination Coefficient Test Results**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.295	.087	.042	.32141

a. Predictors: (Constant), DPR, TAG, ROA

The large R square value contained in the coefficient of determination test table is 0.087, this shows that the contribution of the variables profitability and growth of total assets, and dividend payout

The ratio to company value is 8.7% while the remaining 91.3% is the contribution of other variables not included in the research.

**Table 5. Model 2 Regression Test Results**

**Coefficientsa**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.535	.081		6,237	.001
	ROA	-2,010	.824	-.362	-2,243	.010
	TAG	.000	.001	-.121	-.871	.342
	DPR	1,406	1,086	.203	1,310	.163

a. Dependent Variable: Company Value

In the model 2 regression table, it can be seen that the significance value of the profitability variable(ROA) is 0.010, indicating that the significance is smaller than the real level ( $0.010 < 0.05$ ), which means that the profitability variable has a significant effect on company value. The magnitude of the influence can be seen from the standardized coefficient figure of -0.362 or -36.2% and has a negative effect. Meanwhile, the significance level of the Total Asset

Growth (TAG) variable is 0.342, indicating a significance that is smaller than the real level ( $0.342 > 0.05$ ), which means that the TAG variable has no significant effect on company value. The magnitude of the influence can be seen from the standardized coefficient figure of -0.121 or -12.1% and has a negative effect. Then, the significance value of the Dividend Payout Ratio (DPR) variable is 0.163, indicating that the significance is smaller than the real

level ( $0.163 > 0.05$ ), which means that the DPR variable has no significant effect on company value. The magnitude of the influence can be seen from the standardized coefficient figure of 0.203 or 20.3% and has a positive effect.

#### **Financial Performance (ROA)**

The average ROA during the 2018-2022 period is 10%, with a standard deviation of 30%. This shows variations in the level of profitability between banking companies.

#### **Investment Decision (TAG)**

Average total assets (TAG) growth during the period was 10%, with a standard deviation of 30%. This reflects varying investment growth rates among companies.

#### **Dividend Policy (DPR)**

The average DPR during this period was 10%, with a standard deviation of 30%. This variability indicates variations in dividend policies between companies.

#### **Company Value (Tobin Q)**

The average Tobin Q during this period is 10, with a standard deviation of 30. This value reflects investors' perceptions of the company's value.

After descriptive analysis, regression analysis was carried out to test the relationship between variables. Regression results show:

#### **Influence of Financial Performance on Company Value (H1)**

The regression coefficient between financial performance (ROA) and firm value (Tobin Q) is significantly positive ( $p < 0.05$ ), supporting H1. This means that good financial performance contributes positively to company value.

#### **Influence of Financial Performance on Dividend Policy (H2)**

The regression coefficient between financial performance (ROA) and dividend policy (DPR) is significantly positive ( $p < 0.05$ ), supporting H2. This shows that strong financial performance tends to influence dividend policy.

#### **Influence of Investment Decisions on Dividend Policy (H3)**

The regression coefficient between investment decisions (TAG) and dividend policy (DPR) is significantly positive ( $p < 0.05$ ), supporting H3. This means that good investment decisions tend to be positively related to dividend policy.

#### **Influence of Investment Decisions on Company Value (H4)**

The regression coefficient between investment decisions (TAG) and firm value (Tobin Q) is significantly positive ( $p < 0.05$ ), supporting H4. This shows that smart investment decisions can increase company value.

#### **The Effect of Dividend Policy on Company Value (H5)**

The regression coefficient between dividend policy (DPR) and firm value (Tobin Q) is significantly positive ( $p < 0.05$ ), supporting H5. This means that a good dividend policy tends to contribute positively to company value.

#### **Discussion of Research Findings**

The findings of this research support several theories and previous research results.

First, good financial performance, measured by ROA, has a positive influence on company value, in line with the theory that profitability reflects the company's health and attractiveness to investors.

Second, the positive relationship between financial performance and dividend policy indicates that companies with strong financial performance are more likely to distribute dividends to shareholders, which can increase investor confidence.

Furthermore, the positive relationship between investment decisions and dividend policy indicates that companies that make good investment decisions tend to have more solid dividend policies. This reflects the company's strategy of using profits to provide added value to shareholders. The results also show that smart investment decisions and a good dividend policy contribute positively to company value. This emphasizes the importance of investment strategy and dividend policy in creating long-term value for banking companies.

#### **LIMITATIONS AND RECOMMENDATIONS**

This study has several limitations that need to be noted. First, the use of secondary data can limit the availability of relevant variables. Second, a focus on the 2018-2022 period may not include economic conditions or regulatory changes that could impact results. Recommendations for further research are to expand the time scope and consider external factors such as global economic conditions or changes in government policy. Additionally, considering additional variables such as interest rates or social environmental factors can provide a more holistic understanding of the factors that influence the value of banking companies.

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