Research Article

The Influence of Funding Decision, Investment Decision Profitability and Sales Growth on Company Value in Mining Sector Companies Listed in Indonesia Stock Exchange 2017-2021 Period

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Abstract

This study aims to determine and analyze how much influence of Funding Decision, Investment Decision, Profitability and Sales Growth partially and simultaneously On Firm Value In Mining Sector Companies Listed In Indonesia Stock Exchange 2017-2021 Period. Determination of the sample used in this study by purposive sampling technique totaling 12 mining companies listed in Indonesia Stock Exchange 2017-2021 period. The data analysis method used in this research is multiple linear regression analysis. The result of the study show that funding decision variable have a positive and significant effect on firm value, investment decision variable has a negative and insignificant effect on firm value, profitability variable have a positive and significant effect on firm value and sales growth variable have a positive and insignificant effect on firm value. The result with the simultaneous test indicate that the funding decision, investment decision, profitability and sales growth simultaneously have a significant effect on firm value in mining sector companies listed in Indonesia Stock Exchange.

1. Introduction

Funding decisions are measured using indicators Debt to Equity Ratio (DER) which is a financial ratio used to measure how much a company uses funding obtained through debt compared to funding obtained from its own capital. The higher the value of the funding decision, the smaller the value of a company. Investment decisions are measured using indicators Total Asset Growth (TAG) namely the ratio that shows the amount of investment growth in fixed assets made by the company. The higher the value of investment decisions, the higher the value of a company. Profitability is measured using indicators Return On Assets (ROA), namely the ratio that measures a company’s ability to generate net profit, the higher the profit earned, the higher the value of the company. Sales growth is measured using indicators Net Sales Growth Ratio (NSGR) which is the ratio used to compare sales growth each year, the higher the NSGR value, the higher the value of a company.

How to cite:
Based on table 1 in this study where the company PT. Baramulti Suksessaran Tbk with the stock code BSSR, the DER value in 2020 is 0.39, in 2021 it has increased to 0.72. The PBV value in 2020 was 1.70 in 2021 it has increased to 2.28 there is a phenomenon gap PBV and DER where an increase in DER is followed by an increase in PBV. In 2020 value The TAG of 1.35 in 2021 will decrease to 0.68. The PBV value in 2020 reached 1.70 in 2021 there was an increase to 2.28 there was a phenomenon gap on PBV and TAG because the decrease in TAG value was not followed by a decrease in PBV value. In 2020 the ROA value reached 0.12, in 2021 it has increased to 0.47. The PBV value in 2020 reached 1.70 in 2021 it increased to 2.28 there was no phenomenon gap because the increase in ROA value is followed by an increase in PBV value. In 2020 value NSGR reached (0.20) in 2021, increasing to 1.12. The PBV value in 2020 reached 1.70 in 2021 it increased to 2.28 there was no phenomena gap because the increase in the NSGR value is followed by an increase in the PBV value.

Based on the explanation of the variables above, research on funding decisions, investment decisions, profitability and sales growth has also been extensively studied, as was done by Septariani (2017) funding decisions have a negative effect on firm value, while according to Sesar and Mursidah (2020) found that funding decisions have a positive effect and significant to company value. Results of research conducted by Hasnawati (2015) investment decisions have a positive and significant effect on firm value, while the results of Nugroho research (2018) state that investment decisions negative effect on firm value. Research result Astarani (2016) profitability has no significant positive effect on company value while research Dewi and Wirajaya (2013) profitability has a negative and significant effect on firm value.

Based on the phenomenon of the gap and research gap above, the authors are interested in re-examining the factors that influence firm value. So the purpose of this study was to determine and analyze the effect of funding decisions, investment decisions, profitability and sales growth on the value of mining sector companies listed on the Indonesia Stock Exchange.

**Trade Off Theory**

Brigham and Houston (2011) argue that companies exchange the tax benefits of debt financing with the problems posed by potential bankruptcy, the use of debt will increase the value of the company but only up to a certain point.

**Pecking Order Theory**

Husnan (2013) put forward arguments regarding the tendency of a company to determine the selection of funding sources based on pecking order theory.

**Signalling Theory**

Brigham and Houston (2011) suggest that signals are disclosures regarding increased debt which can also be interpreted by outsiders about the company’s ability to pay its obligations in the future or low business risk, so that additional debt will give a positive signal.

**The value of the company**

Firm value is a certain condition that has been achieved by a company as an illustration of public trust in the company (Noerirawan, 2012). This trust can be obtained after going through a process of activity for several years established until now. Increasing the value of the company is an achievement, which is in accordance with the wishes of the owners, because by increasing the value of the company, the welfare of the owners will also increase (Jannah, et al., 2019). The greater the value of the company, the greater the prosperity obtained by shareholders (Pertiwi et al., 2016). Firm value is often the benchmark used by investors when they want to invest in shares. Firm value in this study is proxied using Price to Book Value (PBV) because Price to Book Value (PBV) is able to compare the stock prices offered by similar companies whether they are too expensive or cheap.
Funding Decision
According to Yuesti and Kepramareni (2019) funding is a decision related to determining the source of funds to be used, determining the optimal funding balance, and the company using sources of funds from within the company or will take it from outside the company. According to Sutrisno (2015) funding decisions are often referred to as financial structure policies (financial structure) because in this decision managers are required to consider and analyze combinations of economical sources of funds for companies to finance their investment and business needs. Sources of funding in a company are divided into two categories, namely funding internal and funding external. Funding decisions are proxied using Debt to Equity Ratio (DER) because this indicator is able to describe the level of company debt and the company's funding sources.

Investment decision
According to Achmad and Amanah (2014) investment decisions are activities of allocating funds both from within and outside the company in various forms of investment decisions with the aim of obtaining a greater profit than the cost of funds in the future. Investment decisions have a long-term time dimension, so the decisions taken must be considered carefully, because they have long-term consequences as well (Rinnaya et al., 2016). Investment decisions in this study are proxied using Total Asset Growth (TAG) the reason researchers use this indicator becauseable to describe directly the value of assets owned by the company.

Profitability
According to Sudana (2011) the profitability ratio is the ratio used to measure a company's ability to generate profits by using company-owned sources, such as assets, capital, or company sales. According to Kasmir (2013) the profitability ratio is a ratio to assess a company's ability to make a profit. In this study the ratio of profitability proxied using Return On Asset (ROA) on the grounds that this ratio is able to describe the amount of profit earned by a company.

Sales Growth
Sales growth describes success the company's operations in the past period and can be used as prediction of future growth. According to (Kasmir, 2016) Sales growth shows the extent to which the company can increase its sales compared to total sales whole. In this study, sales growth is proxied using Net Sales Growth Ratio (NSGR) the reason researchers use this indicator is because it is able to describe how much a company's sales growth in a certain period whether it increases or decreases.

2. Materials and Methods
The type of research used in this study is causal comparative quantitative research, namely research conducted with the aim of looking at the causal relationships that arise between the independent variables and the dependent variable. The type of data used in this research is secondary data in the form of annual financial reports issued by mining sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period. The sampling technique in this study used a purposive sampling technique so that from a total population of 56 mining companies, 12 mining sector companies were obtained as research samples. The number of observational data in this study amounted to 60 observational data obtained from the number of samples multiplied by five years which is the year period in this study. Data collection techniques were carried out with secondary data using documentation and library research methods.

The value of the company
Firm value in this study is proxied using Price to Book Value (PBV). According to Hani (2015) indicator this is used to see the relationship between stock price and book value per share.
Panjaitan et al., 2023 / The Influence of Funding Decision, Investment Decision Profitability and Sales Growth on Company Value

\[ PBV = \frac{Earning Per Share}{Book Value Per Share} \]

**Funding decision**
Funding decisions in this study were proxied using *Debt to Equity Ratio* (DER) which is used to find sources of funds which will be used for finance activities company operations.

\[ DER = \frac{Total Debt}{Total Equity} \]

**Investment decision**
Investment decisions in this study are proxied using *Total Asset Growth* (TAG) which is used to see the growth of a company's assets.

\[ TAG = \frac{Total Assets_t - Total Assets_{(t-1)}}{Total Assets_{(t-1)}} \]

**Profitability**
Profitability in this study is proxied using indicators *Return On Asset* (ROA) which is used to measure the level of profit generated by a company.

\[ ROA = \frac{Net Profit After Tax}{Total Assets} \]

**Sales Growth**
Sales growth in this study is proxied using *Net Sales Growth Ratio* (NSGR) which is used to compare last year's sales level with current.

\[ NSGR = \frac{Net Sales_t - Net Sales_{(t-1)}}{Net Sales_{(t-1)}} \]

3. Results and Discussion

**Classic assumption test**
From the results of the classic assumption test carried out in this study based on the results of the normality test based on the results of the KS test when using all data in the sample, it obtains a sig value of 0.45 where the data obtained is smaller than the significant value, the data is still not normal because the data is said to be distributed normal if the sig value of the KS test is greater than 0.05. The way to cure abnormal data is the researcher uses the results *Montecarlo* which is a step that can be used by researchers to cure abnormal data caused because the data used is random and too extreme in value, so that from the value *Montecarlo* a sig value of 0.369 is obtained which is greater than sig 0.05 so that the data is normally distributed. The regression model in this study is also free from multicollinearity symptoms because the value of each independent variable has a VIF value <10 and *tolerance* >0.1. From the results of the heteroscedasticity test, it was found that there was no heteroscedasticity in this regression model because of the results *scatterplot* shows that the dots spread over the number 0 t and do not form a pattern. From the results of the autocorrelation test, it was found that the regression model was free from autocorrelation where a data that is said to be free from autocorrelation if the value of dU < DW < (4-dU) in this regression model obtained a value 1.7274 < 1.828 < 2.2726.

**Hypothesis testing**
Based on the hypothesis test, it is known that the funding decision and profitability variables have a significant and significant effect on firm value, while investment decisions and sales growth
have an effect but not significant on firm value. Based on table 2, the results of the first hypothesis test were obtained, namely the partial test (t test) where it was shown that the funding decision variable had a value of 0.732 and a significance value of 0.016 < 0.05, so the result H1 rejected because the value of the funding decision variable proxied using DER has a positive effect on firm value proxied using PBV. The t test on the investment decision variable has a value of -0.213, a sig value of 0.714 > 0.05, so H2 rejected because the value of the investment decision variable proxied using TAG has a negative effect on firm value (PBV). The t test on the profitability variable has a value of 6.531 with a sig of 0.000 < 0.05, so H3 accepted because it is proven that profitability (ROA) has a positive effect on firm value (PBV). The t test on the sales growth variable gives a value of 0.245 with a sig of 0.507 > 0.05, so H4 accepted because it is proven that sales growth proxied using NSGR has an effect on firm value (PBV). Based on the simultaneous test (F test) shows that the sig value of 0.000 < 0.05 indicates that the independent variables simultaneously affect the dependent variable. R test results provide value $R^2$ of 0.643 or 64.3%, which means that the ability of the independent variables, namely the variables of funding decisions, investment decisions, profitability and sales growth together, are able to explain the dependent variable, namely firm value of 64.3% while 35.7% is influenced by other variables outside of the research.

**The Effect of Funding Decisions on Firm Value**

Based on the results of the regression test and t test, it is known that funding decisions have a positive and significant effect on firm value. This can be affected because the use of the company's funding is in the form of productive debt where the debt is used to increase more income in the future such as purchasing assets so that the use of funding is not always negative for company value. This study is in line with the results of the study carried out by Sesar and Mursidah (2020) which stated that the funding decision has a positive and significant effect on firm value.

**The Influence of Investment Decisions on Firm Value**

Based on the results of the regression test and t test, it is known that investment decisions have a negative but not significant effect on firm value. This can happen because investors in general are not too dependent on the value of investment decisions because investors tend to see directly the condition of a company from the annual financial reports issued by the company. The results of this study are in line with the results of research conducted by Nugroho (2018) which states that investment decisions have a negative effect on firm value.

**Effect of Profitability on Firm Value**

Based on the results of the regression test and t test, it is known that profitability has a positive and significant effect on firm value. This is in line with signalling theory where if the value of profitability is high, investors will catch the good signal given by the company so that investors will be interested in owning company shares. The results of this study are in line with the results of research conducted by Nurhayati (2013) which stated that profitability has a positive and significant effect on firm value.

**Effect of Sales Growth on Company Value**

Based on the results of the regression test and t test, it was found that sales growth had a positive but not significant effect on firm value. This can happen because increased sales growth does not guarantee increased company value. Because increased sales growth in a certain period may increase the company's receivables, but the company's cash remains because payments are receivables, so it does not guarantee that increased sales in a certain period will also be followed by an increase in company value. The results of this study are in line with the results of research conducted by Sujana (2019) which states that sales growth has a positive effect on company value.
Figures and Tables

Table 1. PBV, DER, TAG, ROA, NSGR values

<table>
<thead>
<tr>
<th>Code</th>
<th>Year</th>
<th>PBV</th>
<th>DER</th>
<th>TAG</th>
<th>ROA</th>
<th>NSGR</th>
</tr>
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<td>0.40</td>
<td>0.15</td>
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<tr>
<td></td>
<td>2018</td>
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<td>0.63</td>
<td>0.49</td>
<td>0.65</td>
<td>0.21</td>
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<tr>
<td></td>
<td>2019</td>
<td>3.71</td>
<td>0.23</td>
<td>0.02</td>
<td>0.27</td>
<td>-0.1</td>
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<tr>
<td></td>
<td>2020</td>
<td>1.70</td>
<td>0.38</td>
<td>1.35</td>
<td>0.12</td>
<td>-0.2</td>
</tr>
<tr>
<td></td>
<td>2021</td>
<td>2.28</td>
<td>0.72</td>
<td>0.68</td>
<td>0.47</td>
<td>1.12</td>
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</table>

Source: www.idx.co.id Data processed by researchers in 2022

Table 2. Hypothesis Test Results

<table>
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<th>B</th>
<th>t</th>
<th>Sig</th>
<th>R Square</th>
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</thead>
<tbody>
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<td>.116</td>
<td>-</td>
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<tr>
<td>THE</td>
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<td>2.492</td>
<td>.016</td>
<td>-</td>
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<td>TAG</td>
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<td>-.368</td>
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<td>-</td>
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<td>5.804</td>
<td>.000</td>
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<tr>
<td>NSGR</td>
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<td>.668</td>
<td>.507</td>
<td>-</td>
</tr>
<tr>
<td>Uji F</td>
<td>-</td>
<td>-</td>
<td>.000</td>
<td>-</td>
</tr>
<tr>
<td>R-Square</td>
<td>-</td>
<td>-</td>
<td>.643</td>
<td></td>
</tr>
</tbody>
</table>

Source: Results of SPSS 2023 data processin

References


