Journal of Economics, Finance and Management Studies

ISSN (print): 2644-0490, ISSN (online): 2644-0504

Volume 6 Issue 1 January 2023

Article DOI: 10.47191/jefms/v6-i1-25, Impact Factor: 6.274

Page No. 220-226

The Influence of Investment Decisions, Funding Decisions, and Macroeconomics on Company Value in State-Owned Enterprises Listed on the Indonesia Stock Exchange, with Financial Risk and Profitability as Intervening Variables

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ABSTRACT: Investors find it very appealing to invest in the form of shares for State-Owned Enterprises (*BUMN*) because these businesses have capital that is entirely or largely owned by the government. Not affected by the Covid-19 pandemic shock, investors think that the price of BUMN shares in the infrastructure sector offers excellent corporate value. The Covid-19 pandemic has slowed Indonesia's economic expansion, since February 2020. It should be remembered that many businesses have experienced negative corporate profitability at some point. With financial risk and profitability acting as intermediary variables, this study seeks to determine the degree to which the independent variables of investment decisions, funding decisions, and macroeconomics influence the dependent variable, namely company value.

This quantitative study employs a census sampling technique at seven state-owned infrastructure companies from 2014 to 2021. This study employs SEM analysis (Structural Equation Modeling) based on components or variants, namely Partial Least Squares (PLS), with the help of Smart PLS 4.0 software. The study's findings indicate that macroeconomics has no direct and significant impact on financial risk. It does, however, have a significant impact on profitability and company value. Financial risk and profitability are unaffected by investment decisions. It does, however, have a significant impact on company value. Funding decisions have no direct influence on company value. It does, however, have a significant impact on financial risk and profitability. Financial risk has no direct influence on company value. Profitability has no direct influence on company value. For the indirect relationship between the financial risk and profitability variables, it does not mediate the x versus y variables.

KEYWORDS: investment decisions; funding decisions; macroeconomics; financial risk; profitability; company value

INTRODUCTION

The existence of state-owned enterprises can be measured by the level of value they get every year. Since February 2020, the COVID-19 pandemic has hampered economic growth in Indonesia. This situation has an impact on state-owned companies and requires restructuring on the way to go public and compete abroad. In Indonesia, the existence of adequate infrastructure is needed as a holder of an important role in one of the public service systems. Vital facilities support various government activities such as the economy, industry, and as a driving force for the development of economic growth.

In the last few years, BUMNs that have gone public have received public attention regarding their financial performance, PT. Jasa Marga Tbk was recorded as having minus net profit in 2020. Macroeconomic activities contained aspects of production, income, expenditure, national budget, money supply and balance of payments (Mustafa, 2017). The development of Covid-19 will affect inflation in 2021 as well as low inflation which is influenced by not-yet-strong domestic demand in line with the mobility restriction policy that must be implemented to prevent the spread of Covid-19.

Amid the influence of global price pressures on the domestic side, what happened was the increase in fuel prices and transportation fares which were estimated to be the main contributors to the highest inflation rate in 2014, which was 8.36%. Meanwhile, the rupiah exchange rate against the US dollar experienced a fluctuating increase. Several state-owned companies currently engaged in infrastructure have been listed on the Indonesian stock exchange. Company performance can be seen from the analysis of financial statements that are widely used. As a financial ratio analysis, investors use perceptions based on stock prices, the higher the stock price, the higher the company value or vice versa. The company's main goal is to gain profit or market trust in the company is influenced by the value of the company.

Macroeconomics, investment decisions and funding decisions are external variables that have an influence or not on company value, while financial risk and profitability are used as mediation between several factors that affect the company value. The higher the value of the company, the more prosperity of the shareholders will also be more secure. An increase in stock prices will provide a positive signal from investors to company managers. The rise and fall of stock prices in the capital market is an interesting phenomenon to discuss the issue of fluctuations in company value.

Based on the issue mentioned above this research will analyse about the influence of these variable on the Indonesia Stock Exchange for the period 2014 – 2021:

1. Macroeconomics on Financial Risk,
2. Macroeconomics on Profitability,
3. Macroeconomics on the Company Value,
4. Investment Decision on Financial Risk,
5. Investment Decisions on Profitability,
6. Investment Decisions on Company Value,
7. Funding Decision on Financial Risk,
8. Funding Decision on Profitability,
9. Funding Decision on Company Value,
10. Financial Risk on Company Value,
11. Profitability on Company Value,
12. Financial Risk mediate the influence of Macroeconomics on Company Value,
13. Financial Risk mediate the effect of Investment Decisions on Company Value,
14. Financial Risk mediate the influence of Funding Decisions on Company Value,
15. Profitability mediate the effect of Macroeconomics on Company Value,
16. Profitability mediate the influence of Investment Decisions on Company Value,
17. Profitability mediate the influence of Investment Decisions on Company Value.

METHODOLOGY

Sample

This study employs a census sampling technique at seven state-owned infrastructure companies from 2014 to 2021.

Data Analysis Techniques

Data analysis using partial least squares (PLS):

a. Inner model, describes the relationship of latent variables in the research model by looking at the R-square, the higher the R-square value, the greater the ability of these variables to explain the target variable.
b. Outer model, Overall measurement of the indicators on latent variables that test the validity and test reliability.

RESEARCH RESULTS

Research Model Analysis

The limiting factor that reflects an indicator based on the relationship between each score and the requirements are not met on a significant scale of 0.5, those who do not meet the conditions will be dropped as shown in Figure 1.

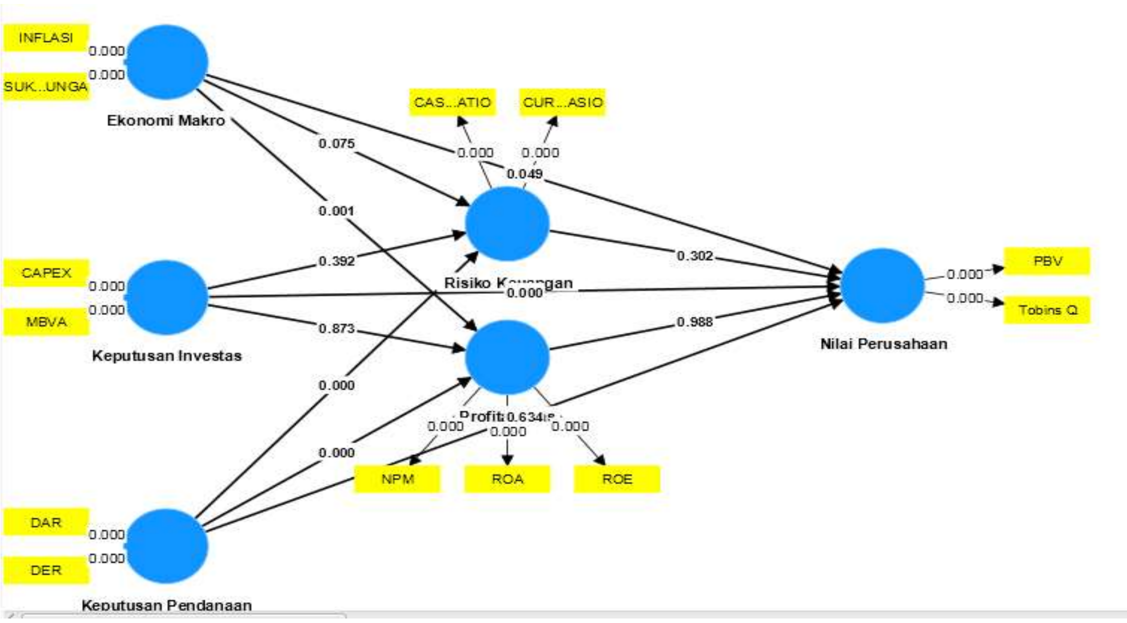

Figure 1. Variables Relation's Analysis

Statistical tests on the relationship between variables require a significant level of 95% with a t-table value of 1.96 to accept the alternative hypothesis. The results of testing the hypothesis in the table.

Table 1. Influence between Variables

No	Influence between Variables	O	M	STDEV	T-statistics (|O/STDEV|)	P	Signification
1	Macroeconomics => Financial Risk	0.254	0.247	0.142	1.783	0.075	Not sig
2	Macroeconomics =>Profitability	0.374	0.428	0.113	3.315	0.001	Sig
3	Macroeconomics =>Company Value	0.208	0.212	0.105	1.970	0.049	Sig
4	Investment Decisions=> Financial Risk	-0.186	-0.166	0.217	0.856	0.392	Not sig
5	Investment Decisions=> Profitability	0.019	0.032	0.120	0.160	0.873	Not sig
6	Investment Decisions=> Company Value	0.871	0.905	0.059	14.872	0.000	Sig
7	Funding Decisions=> Financial Risk	-0.537	-0.576	0.091	5.879	0.000	Sig
8	Funding Decisions=> Profitability	-0.466	-0.455	0.124	3.756	0.000	Sig
9	Funding Decisions=> Company Value	0.081	0.058	0.169	0.476	0.634	Not sig

No	Influence between Variables	O	M	STDEV	T-statistics (|O/STDEV|)	P	Signification
10	Financial Risk=> Company Value	-0.095	-0.089	0.092	1.032	0.302	Not sig
11	Profitability=> Company Value	0.002	-0.065	0.135	0.014	0.988	Not sig
12	Macroeconomics=> Financial Risk=> Company	-0.024	-0.018	0.027	0.896	0.370	Not sig
13	Macroeconomics=> Profitability=> Company Value	0.001	-0.033	0.067	0.011	0.991	Not sig
14	Investment Decisions=> Financial Risk=> Company Value	0.018	0.004	0.039	0.457	0.648	Not sig
15	Investment Decision=> Profitability=> Company Value	0.000	-0.000	0.018	0.002	0.998	Not sig
16	Funding Decisions=> Financial Risk=> Company Value	0.051	0.049	0.052	0.975	0.330	Not sig
17	Funding Decisions=> Profitability=> Company Value	-0.001	0.033	0.066	0.014	0.989	Not sig

DISCUSSIONS

The results of testing the hypothesis with the relationship between State-Owned Enterprises company variables in 7 infrastructure sector companies listed on the Indonesia Stock Exchange by observations during the 2014 to 2021 vulnerability are as follows:

1. Macroeconomics to Financial Risk has a positive and insignificant relationship. This study supports the research conducted by (Cinandra et al., 2022) which stated that macroeconomics does not affect financial risk. Researchers agree that inflation and interest rates which did not increase and tended to fall during the observation period indicated that this is following the assumption that higher inflation causes lower income and reduces company income and has an impact on financial risk.
2. Macroeconomics has a positive and significant relationship to profitability. This research is in contrast with the research conducted by (Nurhamdi, 2020) which stated that inflation, interest rates and the rupiah exchange rate have no significant effect on profitability variables. Researchers assume that investors and business must pay close attention to macroeconomic conditions and anticipate the appreciation and depreciation of interest rates or inflation as the country grows. This affects the company's financial performance, especially its profitability.
3. Macroeconomics has a positive and significant affinity to company value, thus supporting research conducted by (RP. Sari et al., 2020) which states that macro-fundamental factors have a positive and significant effect on company value. Macroeconomics is closely related to government financial problems. Economic changes in a country affect company and markets. Macroeconomics can affect economic growth, employment, price stability, and achieve balance.
4. Investment decisions have no significant effect on financial risk with a negative relationship. There is no previous research discussing this issue. That, the researcher concluded that the state-owned company's infrastructure sector was not affected because it was included in a company financed by the state. A company is considered to have no difficulty in financing its investment needs if the company can generate sufficient cash to finance its investment activities (Susanto Salim, 2019).

5. Investment decisions have no significant effect on profitability with a positive relationship. This research supports research conducted by (Wedyaningsih et al., 2019) which states that investment decisions have no significant effect on profitability. This research is not in line with the signal theory related to company value, if the company fails or cannot convey a good signal regarding the value of the company, then the value of the company will experience a mismatch with its position, meaning that the value of the company can be above or below the actual value.
6. Investment decisions have a significant influence on company value with a positive relationship. This research supports research conducted by (Matiin et al., 2018) and (Ayem, 2016) which state that investment policy has a positive and significant effect on company value. The wealth of shareholders and companies represented by the market price of a share is a reflection of investment decisions, funding decisions, and asset management. This shows that the greater the funds invested, the greater the value of the company.
7. Funding decisions have a significant influence on financial risk with a negative relationship. For explanations of previous research, researchers still cannot find the opposite direction. So the researchers provide a statement that state-owned infrastructure companies that fund their operational activities through debt have more financial risk. large compared to those who fund the company's operations with their capital or assets.
8. Funding decisions have a significant influence on profitability with a negative relationship. For an explanation of previous research, researchers still cannot find it. So the researchers provide a statement that Profitability is the profit of all capital. The ability of a company to generate profits can attract investors to invest their funds in developing the business. The company's ability to generate profits also makes the company use more internal funding which results in more retained earnings so that the use of debt or debt can be reduced.
9. Funding decisions have no significant effect on company value with a positive relationship. This study rejects research conducted by (Utami et al., 2018), (Prayugi et al., 2018), and (Wardhani et al., 2017) that optimal funding decisions and dividend policies within a company will increase company value. Funding decisions are a source of agency conflict between managers and shareholders, but funding decisions, especially with debt, can be an alternative way to reduce agency costs because debt can reduce the company's excess cash flow, reducing the opportunity for managers to commit waste.
10. Financial Risk has no significant effect on Company Value with a negative relationship. This study supports research conducted by (Kadek et al., 2016) that liquidity has a negative but not significant effect on company value. A low Current Ratio is usually considered to indicate a problem in liquidation, on the other hand, a current ratio that is too high is also not good, because it indicates a large number of idle funds which in turn can reduce the company's profit capability.
11. Profitability has no significant effect on company value with a positive relationship. This study supports research conducted by (Putranto et al., 2022) and (Lestari et al., 2022) that Profitability does not affect Company value. No effect on profitability as calculated in the ratio of ROA to company value could be affected by an increase in assets in several years which has occurred without being followed by an increase in profit.
12. Financial Risk has no significant effect on Company Value with a negative relationship. The results of this test indicate that the presence or absence of financial risk as a mediator does not have an indirect effect between macroeconomics and company value.
13. Profitability has no significant effect between Macroeconomics on Company value with a positive relationship direction. Profitability as a reference for investors to invest is based on certain signals such as inflation or interest rates.
14. Financial Risk does not have an insignificant effect between Investment Decisions on Company value with a positive relationship. Financial risks arise when investors withdraw all funds invested in the company. However, the investment decision made by investors is to see how the company's prospects are from the signals given by the company.
15. Profitability has no significant effect between Investment Decisions on Company value with a positive relationship direction. This is because if you measure the size of the asset or the expected height of the asset, the greater the operational burden generated for financing maintenance and repairs.
16. Financial Risk has no significant influence on Funding Decisions on Company value with a positive relationship. This is because the funding decision is related to the company's capital structure, where if the company obtains capital from debt, the company is obliged to return it to the bank.
17. Profitability has no significant effect between Funding Decisions on Company value with the direction of a positive relationship. The company's goal is to seek profit and prosper the shareholders. However, there are personal interests carried out by principals to enrich themselves, making small conflicts that can trigger funding decisions taken by a manager, which can cause changes in the value of the company.

CONCLUSION

Based on the results of the research, it can be concluded as follows:

1. Macroeconomics does not have a significant effect on Financial Risk with a positive relationship.
2. Macroeconomics has a significant influence on Profitability with a positive relationship direction.
3. Macroeconomics has a significant influence on Company value with a positive relationship.
4. Investment decisions have no significant effect on financial risk with a positive relationship.
5. Investment decisions have no significant effect on profitability with a positive relationship.
6. Investment decisions have a significant influence on Company value with a positive relationship.
7. Funding decisions have a significant influence on Financial Risk with a negative relationship.
8. Funding decisions have a significant influence on profitability with a negative relationship.
9. Funding decisions have no significant effect on Company value with a positive relationship.
10. Financial Risk has no significant effect on Company Value with a negative relationship.
11. Profitability has no significant effect on Company value with a positive relationship.
12. Financial Risk is not a mediating variable on the effect of Macroeconomics on Company Value.
13. Profitability is not a mediating variable on the effect of macroeconomics on Company value.
14. Financial Risk is not a mediating variable for the influence of Investment Decisions on Company Value.
15. Profitability is not a mediating variable on the effect of investment decisions on Company value.
16. Financial Risk is not an intervening variable influencing Funding Decisions on Company Value.
17. Profitability is not a mediating variable on the influence of Funding Decisions on Company Value.

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