

The Influence Of Financial Management Function Towards Company's Skills And Values In Indonesia's Consumption Goods Industry

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ABSTRACT

This study aims to analyze and determine the effect of financial management functions in the form of investment decisions, funding decisions and dividend policies on profitability and corporate value in publicly listed companies within consumer goods industry in Indonesia during 2013-2015. The population of the consumer goods industry sector that went public (www.idx.co.id) was 37 issuers and examined the financial statements of 32 issuers that distributed dividends in 2013-2015. This research is a quantitative study of causality among several variables. The data used are cross section data and secondary data types in the form of financial reports published on the Indonesia Stock Exchange, literature and research from other parties. By using financial ratios related to financial management functions: investment decisions, funding decisions, dividend policy as an independent variable and profitability and firm value as the dependent variable, using path analysis assisted with the SPSS version 20, can be seen the magnitude of influence shown by the path coefficient on each path diagram of the causal relationship between the independent variables to the dependent variable. The results showed that the functions of financial management have a significant effect on profitability. Investment decisions and profitability of companies have a positive and significant effect on firm value, while funding decisions and dividend policies have no significant effect on firm value. Proficiency does not have a significant effect in mediating the functions of financial management on firm value. But in terms of probability, it helped strengthen the influence of financial management functions on corporate value.

Keywords: Financial management functions, profitability, firm value.

INTRODUCTION

Research Background

Sukmawati Sukamulja (2017: 285) said that consumer goods sector is a sector with a second market capitalization in Indonesia after the financial sector, this sector is relatively stable from economic fluctuations because it is needed by the community. Consumer goods group shares are non-cyclical shares, meaning that they are always needed whatever the economic conditions at the time so that the demand for this product is relatively constant regardless of the price. Moreover, Indonesia has large enough population (more than 260 million people) so that the business prospects in the field of consumption products are very potential.

The development of business world today is the impact of global changes that cause organizations that are running now must pay attention to the changes that are taking place. Especially in the development of Indonesia, towards an advanced and prosperous country. The company is one of the drivers of development, the company has several functions and financial

functions are very broad and dynamic field. This field is an important part of company activities. Resources owned by the company to be managed in addition to human resources are sources of funding, namely resources in the form of funding to support company activities which will directly affect the company's performance.

S.C. Myers, ed., dalam Richard A. Brealey / Stewart C. Myers (1991:4) found that flow of cash between capital markets and the firm's operations. Key: 1. Cash raised by selling financial assets to investros; 2. Cash invested in the firm's operations and used to purchase real asset; 3. Cash generated by the firm's operations; 4a. Cash reinvested; 4b. Cash returned to investors; as illustrated in figure 1 below:

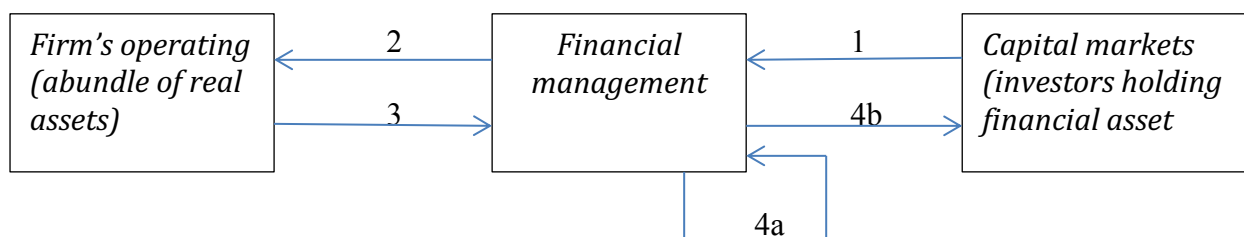


Figure 1. Financial Management Activities

According to Richard A. Brealey / Stewart C. Myers (1991:4), Sulaeman Rahman Nidar (2016:2) there are 3 decisions that ought to be made by financial manager:

1. Decisions related to the use of funds are called investment decisions,
2. Decisions related to obtaining funds are referred to as funding decisions, and
3. Decisions related to profit sharing are known as dividend policies.

The main purpose of business activities according to Buchari Alma (2001: 23), Ricky W. Griffin and Ronald J. Ebert (2006: 4) is to meet human needs and desires. From these activities, the company made profit with the intention of maximizing shareholder wealth. Normatively Eugene F. Brigham and Louis C. Gapenski (1990: 5), Alan C. Shapiro (1991: 14), Eugene F. Brigham (1992: 14), Abdul Halim (2015: 1), Sheridan Titman, et. , al. (2018: 41) said that the purpose of financial management is to maximize the welfare of the owner or to maximize the value of the company. The indicator of company value is reflected in the price of shares traded on the capital market.

Problem Statement

Does the function of financial management in the form of investment decisions, funding decisions, and dividend policies affect the ability and value of the publicly listed companies in Indonesia's consumer goods industry?

Research Aims

This research aims to identify and analyze the effect of financial management functions in the form of investment decisions, funding decisions, and dividend policies on profitability and corporate value in companies that go public within consumer good sector in Indonesia.

THEORETICAL REVIEWS

Financial Management Function

In order to achieve the objectives of financial management to maximize the value of the company, the function of financial management is basically to make some financial decisions (financial decisions) that are relevant and affect the value of the company (value of the firm). Decisions made according to Richard A. Brealey / Stewart C. Myers (1991: 4) are: a. Investment decision. b. Financing decision (funding decision). c. Dividend Policy

Investment decision

Alan C. Shapiro (1991:1) found that: Investment decision is concerned with allocating funds over time in such a way that shareholder wealth is increased. This latter task is accomplished by undertaking activities and purchasing asset that are worth more than they cost.

Investation is one of important indicators in increasing corporate's value. Researches by Murniati S, et., al. (2019), Dimas, et., al. (2013), Oktaviana, et., al. (2013), dan Putri, et., al. (2012) showed that investment decisions have positive and significant impact on firm value.

The company always aims for continuous growth, but also must pay attention to the company's ability to make a profit. The company's growth reflects the company's success. High growth reflects investment success in the past and encourages companies to re-invest in the future. Supporting factors for investing according to Hery (2017: 60) is that there is a great opportunity to benefit from investment. Companies tend to hold a portion of their income and profits for investment. The investment decision is said to be effective will be reflected in the achievement of the rate of return that in future times exceeds the initial investment value for a certain period. Thus, the higher the investment made in assets, shows the higher the growth of the company, the more increased the value of the company.

Financing decision

Alan C. Shapiro (1991: 1) says that: Involves generating funds either internally or from sources external to the firm at the lowest possible cost. This decision talks about how much debt and equity will be used. Suad Husnan and Enny Pudjiastuti (2002: 319) say that the use of debt can be justified as long as it is expected to provide additional operating profit that is greater than the interest paid. This decision is measured by the ratio of debt to total assets. This decision is said to be effective, reflected in the minimal cost of funds.

Suad Husnan and Enny Pudjiastuti (2002: 293) said that changes in the composition of the source of funds or capital structure that can maximize the value of the company or the price of shares, is the best capital structure. Modigliani, F. and Miller, MH. (1963: 433) suggested that in a perfect capital market and no taxes, capital structure does not affect the value of the company. However, in a perfect capital market and taxes, additional debt affects the value of the company. Thus Modigliani, F and Miller, MH. (1963: 433) asserted that the addition of debt would increase the value of the company, meaning that if the company owed, the value of the company would increase. The results of the study by Murniati S, et., Al. (2019), Dimas, et. al., (2013) and Putri, et., al. (2012) show that funding decisions have positive and significant impact on firm value. But the results of research Oktaviana, et., Al. (2013) shows that funding decisions negatively effect insignificant value to the firm.

Dividend policy

Alan C. Shapiro (1991: 2) found that this ultimate objective of both financial functions is to maximize the shareholder wealth. This means making financing and investment decisions that add as much value as possible to the firm. It also means that companies must manage effectively the assets under their control. Abdul Halim (2015: 3) said that in principle the dividend policy concerns the decision of what percentage of the profits earned by the company will be distributed to shareholders in the form of dividends, and what percentage will be retained in the form of retained earnings for future investment financing. Some want dividends to be distributed as much as possible, others want dividends to be distributed as small as possible, and some are of the opinion that dividend policy is irrelevant. Suad Husnan and Enny Pudjiastuti (2002: 334) indicated that an increase in dividend payments is only possible if the profits are increased. Companies cannot divide dividends that are even greater if the profits

earned do not increase. It is not true that a company must divide all profits in the form of dividends. Profits are justified to be retained, if the funds can be invested and produce a profit rate that is greater than the cost of capital.

The purpose of dividend distribution is to improve performance and motivate stakeholders so that the value of the company increases. The results of the study by Murniati S, et., Al. (2019) shows that dividend policy has a negative and insignificant effect on firm value. Putri, et., Al. (2012) shows that dividend policy has a negative effect on campaign value. In contrast to the results of research Oktaviana, et., Al. (2013) shows that dividend policy has a positive and significant effect on firm value. This shows that the effect of dividend policy on firm value varies.

Profitability

Abdul Halim (2015: 215) said that profitability ratios are used to measure the effectiveness of companies in managing assets and equity owned to generate profits. The higher the profitability ratio, the more effective the company will manage the company's assets and equity. There are three ratios that are often used:

1. Profit margin (PM) is used to determine the extent of the company's ability to generate net profit at a certain sales level. High PM illustrates the company's ability to generate high profits at a certain level of sales.
2. Return on total assets (ROA) can be used to determine the extent to which the company's ability to generate net income based on certain asset levels. High ROA illustrates the ability of asset management to work efficiently.
3. Return on equity (ROE) can be used to determine the extent of the company's ability to generate profits based on certain share capital. This ratio is a measure of the company's profitability from the perspective of the shareholders. Nevertheless, Mamduh and Abdul Halim (2016: 81) suggested that this ratio does not take into account dividends or capital gains for shareholders. Therefore, ROE is not a true measure of shareholder return. ROE is influenced by ROA and the company's financial leverage level. Thus, ROE can be used to measure the ability of a company's equity in generating profits that are the rights of the owners of their own capital. Investors will be interested in buying shares with this profitability measure, or part of the total profitability that can be allocated to shareholders.

In order to make the right financial decisions, it is necessary to first determine the objectives to be achieved. Suad Husnan and Enny Pudjiastuti (2002: 7) say that the purpose of financial decisions is to maximize the value of the company. The value of the company is the price that prospective buyers are willing to pay if the company is sold. For companies that issue shares in the capital market, stock prices are an indicator of company value. The higher the company's stock price, the higher the company's value, the greater the prosperity received by the company's owner. Research Murniati S, et al. in IJAFAP Volume 2 No. 1 (2019), showed that investment decisions and financing decisions have positive and significant effects on profitability and value of the firm so that the main objective of the company is to maximize the welfare of company owners by increasing the value of the firm through increasing profitability. While dividend policy has a negative and not significant effect on profitability and value of the firm directly and indirectly. Likewise with research conducted by Fajaria, et.al. (2017) in AEBMR, volume 35 (p.25-32) and MICEB (2017) as follows:

Table 1. Previous Researches

Author Journal, Year: Pages	Investment Decision on Company's Value	Funding Decision on Company's Value	Dividend Policies on Company's Value
Dimas, et.al. JAB, 5(1) 2013:117-124	The effect is positive and significant	The effect is positive and significant	
Oktaviana, et.al. MAJ, 2(2) 2013:1-7	The effect is positive and significant	The effect is positive and significant	The effect is positive and significant
Putri, et.al. JKAB, I(1)2012:1-23	The effect is positive and significant	The effect is positive and significant	The effect is negative and insignificant
Fajaria, et.al AEBMR,35,2018:25-32	The effect is positive but insignificant	The effect is negative and insignificant	The effect is positive and significant

Sources: Ardina, et al. in Journal AEBMR volume 35 (p.25-32).

According to above theories, author made the following conceptual framework:

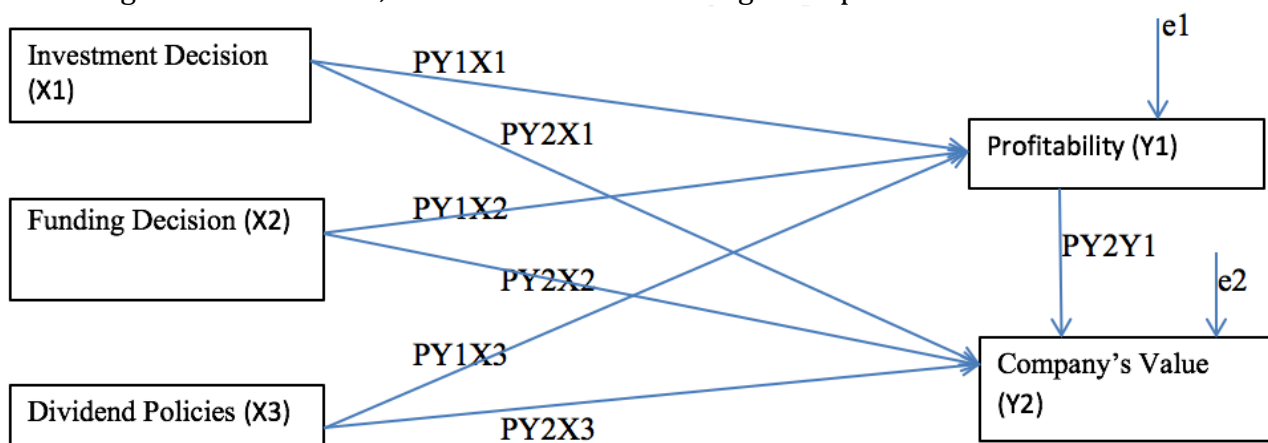


Figure 2. Conceptual Framework

Hypotheses:

1. Investment Decisions, Funding Decisions, and Dividend Policies partially have significant effect on Profitability.
2. Investment Decisions, Funding Decisions, Dividend Policy, and Profitability partially have significant effect on firm value.
3. Investment Decisions, Funding Decisions, and Dividend Policies partially have significant effect on the value of the company through Profitability.

RESEARCH METHODOLOGY

This research focuses on the Effect of Investment Decisions (X1) projected in the investment opportunity ratio measured by the ratio between retained earnings and total assets (Retained Earning / Total Assets), Funding Decisions (X2) projected in the debt ratio measured by the ratio between debt (debt) and total assets (D / A), and Dividend Policy (X3) projected in the dividend payout ratio (DPR) to Profitability (Y1) projected in the ratio of return on equity (ROE) and Company Value (Y2) projected in price Closing Stock Price.

There are 37 companies listed on the Indonesia Stock Exchange in 2013-2015 and 32 companies' financial statements have been examined and dividends have been distributed in 2013-2015. This research is a quantitative study of causality between several variables. The data used is cross section data and the type of data is secondary data.

Data Analysis is done through:

1. Descriptive statistics that describe the variables used; the independent variables are Retained Earning / Total Assets (R / A), Debt to Total Assets (D / A), and Dividend

Payout Ratio (DPR), the dependent variable is Return on equity (ROE) and Closing Stock Price (CSP).

2. Classic assumption test:

The multiple linear regression model is used to test the linear relationship of the dependent variable and the independent variable. This model is said to be good if it fulfills normality, linearity and is free from classical assumption problems. Imam Gozali (2012) said that the most fundamental classical assumptions are tests of normality and multicollinearity. Olobatuyi (2006) added a linearity and autocorrelation test. Abram (2006) ignored the autocorrelation test if the data used were cross section data. Thus, testing the classic assumptions in this study include multicollinearity and heteroscedasticity tests. The testing process is carried out simultaneously with the multiple linear regression testing process using the SPSS version 20.0 program.

- a. Test for normality by using the Kolmogorov-Smirnov approach. Data spread normally if the Asymp value. Sig. (2 tailed) > 0.05.
- b. Linearity Test using the Lagrange Multiplier (LM test) approach. The regression model is said to be linearly correct, if X^2 count = $n \times R^2$ (Gujarati, 2003) > X^2 table at 5% alpha.
- c. Multicollinearity Test with Tolerance and Variance Inflation Factor (VIF) approaches. The model is said to be free of multicollinearity disturbance if the Tolerance value > 0.10 and the VIF value < 10.
- d. Heteroscedasticity test is carried out using the White method approach. The model is said to be free from heteroscedasticity disorder if the calculated X^2 value < X^2 table at α 5%.

3. Hypotheses testing; T Test, F Test, and coefficient determination (R^2).

- a. The t test is used to test whether the independent variable partially has a significant effect on the dependent variable. Expressed significant effect if the value of $t > t$ table at α 5%.
- b. F test is used to test whether the independent variables simultaneously have a significant effect (fit) on the dependent variable. Declared significant effect if the value of $F_{count} > F_{table}$ at α 5%.
- c. The coefficient of determination (R^2) is used to assess the amount of contribution of the independent variable to the dependent variable. The greater the value of R^2 , the more the ability of the independent variable to explain the variation of changes in the dependent variable.

4. Mediation Variable Test.

To test the feasibility of mediation variables (Suliyanto, 2011: 198) the product of coefficient model (Sobel test) was used. Mediation variable test is done by testing the strength of the indirect effect of independent variables on the dependent variable through mediating variables. Mediation variables are considered feasible if the value of $Z_{hitung} > Z_{table}$ at $\alpha = 5\%$.

5. Path Analysis

Path analysis is used to determine the causal relationship between variables in order to determine the direct and indirect effects of causal variables on an effect variable (Robert D. Rutherford, in Ratlan Pardede and Renhard Manurung, 2014: 16). Steps in path analysis include:

- a. Determine the path diagram based on the linear relationship paradigm. The path diagram consists of: exogenous variables X_1, X_2, X_3 and endogenous variables Y_1 and Y_2 .
- b. Determine the equation:
Substructure equation 1 $Y_1 = \beta_{Y_1X_1}X_1 + \beta_{Y_1X_2}X_2 + \beta_{Y_1X_3}X_3 + e_1$

Substructure equation 2 $Y_2 = PY_2X_1 + PY_2X_2 + PY_2X_3 + PY_2Y_1 + e_2$

- c. Analysis Steps: a. Analyse Substructure equation 1
b. Analyse Substructure equation 2

ANALYSIS AND FINDINGS

Analysis

Analysis of Substructure equation 1

a. Descriptive Statistics

According to substructure equation 1: $Y_1 = PY_1X_1 + PY_1X_2 + PY_1X_3 + e_1$, where Y_1 = Profitability (ROE); X_1 = Investment Decision (R/A); X_2 = Funding Decision (D/A); dan X_3 = Dividend Policies (DPR); P = Beta Standardized; dan e_1 = error. Therefore, dependent variable is Y_1 = ROE; independent variable is X_1 = R/A; X_2 = D/A; dan X_3 = DPR.

Tabel 2. Descriptive Statistics
Descriptive Statistics

	Mean	Std. Deviation	N
Y1	24,3025	21,68079	32
X1	,4539	,25540	32
X2	,3619	,22033	32
X3	31,3194	32,89628	32

Source: Result of Multiple Linear Regression

b. Classic Assumption Test

The multiple linear regression model is used to test the linear relationship of the dependent variable and the independent variable. In order to check the feasibility of a model used, the following tests are used:

1. Normality Test

Normality Test is used to test whether standardized residuals in the regression model are normally distributed. The residual value is said to have normal distribution if the standardized residual value is mostly close to the average. Thus, the normality test here is not carried out per variable (univariate) but on the value of standardized residuals (multivariate).

The Normality Test uses the Kolmogorov-Smirnov non-parametric statistical test, obtained:

Table 3. Result of Normality Test.
One-Sample Kolmogorov-Smirnov Test.

	Standardized Residual
N	32
Normal Parameters ^{ab}	
Mean	0E-7
Std. Deviation	95038193
Most Extreme Differences	
Absolute	,165
Positive	,165
Negative	-,105
Kolmogorov-Smirnov Z	,933
Asymp. Sig. (2-tailed)	,349

a. Test distribution is Normal

b. Calculated from data.

Source: Result of Multiple Linear Regression

Based on the above result, value of asymp.sig. (2-tailed) is $0,349 > 0,05$. It means data are distributed.

2. Linearity Test

This Linearity Test is needed to identify which model is proved to be a linear model or not. Linearity test with the Lagrange Multiplier (LM-Test) method was carried out to measure linearity. Suliyanto (2011: 163) says that the principle of this method is to compare the calculated X^2 value ($n \times R^2$) with the X^2 table value with $df = (n, \alpha)$.

Table 4. Result of Linearity Test Model Summary^a

Model	R	R-Square	Adjusted R_Square	Std. Error of the Estimate
1	.150 ^a	.022	-.082	18,62214914

a. Predictors (Constant), X3sqr, X2sqr, X1sqr.

b. Dependent Variable: Unstandardized Residual.

Source: Result of Multiple Linear Regression

Based on table 4, R^2 value= 0,022. Value of $X^2 = 0,682 < X^2_{table} = 44,985$, thus it can be concluded that the regression model is linear.

3. Multicollinearity Test

Multicollinearity Test aims to test whether in the regression model that is formed there is a high or perfect correlation between independent variables. This multicollinearity test can be done by looking at the value of TOL (Tolerance) and Variance Inflation Factor (VIF) of each independent variable on the dependent variable. If the VIF value < 10 and TOL value > 0.10 , there are no symptoms of multicollinearity.

Table 5. Result of Multicollinearity Test Coefficients^a

Collinierity Statistics		
	Tolerance	Variance Inflation Factor (VIF)
X1	,312	3,210
X2	,304	3,292
X3	,933	1,072

a. Dependent Variable: Y1

Based on Table 5, Tolerance value > 0.10 and VIF < 10 . It means there are no symptoms of Multicollinearity on this regression model.

4. Heteroscedasticity Test

Heteroscedasticity means that there are variable variants in the regression model that are not the same (constant). If the variable variant in the regression model has the same value (constant) as expected in the regression model, it is called homoscedasticity. To test Heteroscedasticity, White Test is used by regressing all the independent variables, the free squared variable, and the multiplication (interaction) of the independent variable on the residual value of the square. If the calculated X^2 value ($n \times R^2$) $>$ of the X^2 value table with $df = (n, \alpha)$, in the model against heteroscedasticity disorders.

Table 6. Result of Heteroscedasticity Test**Model Summary^a**

Model	R	R-Square	Adjusted R_Square	Std. Error of the Estimate
1	,757 ^a	,573	,399	754,31689

a. Predictors (Constant), X3sqr, X2sqr, X1sqr, X3_X2, X2_X1, X1_X3, X3, X2, X1

b. Dependent Variable: U2

Source: Result of Multiple Linear Regression

Based on Table 6, R^2 value = 0,573, Value of $X^2 = 17,763 < X^2_{table} = 46,194$. Therefore, it can be concluded that this regression model has no Heteroscedasticity symptoms.

c. Hypotheses Test**1. Coefficient of Determination (R^2).**

R^2 describes the contribution of the dependent variable to the independent variable. The higher the value of R^2 , the higher the ability of the independent variable to explain variations in changes in the dependent variable.

Table 7. Coefficient of Determination (R^2).**Model Summary^a**

Model	R	R-Square	Adjusted R_Square	Std. Error of the Estimate
1	,564 ^a	,318	,245	18,83454

a. Predictors (Constant), X3, X2, X1

b. Dependent Variable: Y1

Source: Result of Multiple Linear Regression

Table 7 shows the regression model used can explain the influence of independent variables towards dependent variables by 31,80% and the rest of 68.20% influenced by variables outside this regression model.

2. F test

The F test describes the ability of the independent variables simultaneously to explain the existence of the dependent variable. If the independent variable has a simultaneous influence on the dependent variable, the regression equation model falls into the fit criteria.

Table 8. F Test Result.**ANOVA^a**

Model	Sum of Square	df	Mean Square	F	Sig.
1 Regression	4639,028	3	1546,343	4,359	.012 ^b
Residual	9932,713	28	354,740		
Total	14571,741	31			

a. Dependent Variable: Y1

b. Predictors (constant), X3, X2, X1

Source: Result of Multiple Linear Regression

Table 8 shows $F_{score} 4,359 > F_{table} 2,901$ on $\alpha = 0.05$. It means that the model is allowed to use (*fit*) in order to explain the influence of independent variables towards dependent variables.

3. T Test

T test can be used to identify whether independent variable partially influence the dependent variable.

Table 9. T Test Result Coefficients

19,689odel	Unstandardized Coefficients		Standardized Coefficient	t	Sig.
	B	Std Error	Beta		
1 (Constant)	-29,392	19,689		-1,493	,147
X1	71,716	23,729	,845	3,022	,005
X2	81,639	27,858	,830	2,931	,007
X3	-,268	,106	-,407	-2,518	,018

a. Dependent Variable: Y1

Source: Result of Multiple Linear Regression

Table 9 shows that independent variable X1 and X2 partially affected Y1 positive and significantly. Variable X3 affected negative and significant towards Y1. This shows that financial management functions significantly influence the ability of consumer goods companies.

Based on the result of analysis above, obtained the following result of hypothesis 1:

Table 10. Test of Hypotesis 1 Result of Test of Hypotesis 1.

Dependent Variable	Independent Variable	P	T	Sig. α 5%	Description	Hypothesis 1
Y1	X1	,845	3,022	,005	significant	Accepted
F = 4,359	X2	,830	2,931	,007	significant	Accepted
Sig.= .012	X3	-,407	-2,518	,018	significant	Accepted

Source: Result of Multiple Linear Regression

Analysis of Substructure equation 2

a. Descriptive Statistics

Substructure equation 2: $Y_2 = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e_1$, where Y_2 = Company Value (ln Stock Price), X_1 = Investment Decisions (R/A); X_2 = Funding Decision (D/A); dan X_3 = Dividend Policies (DPR); Y_1 = Profitability (ROE); β = Beta Standardized; dan e_2 = error. Accordingly, dependent variable is Y_2 = stock price; Independent variables are X_1 = R/A; X_2 = D/E; X_3 = DPR; and Y_1 = ROE.

Table 11. Descriptive Statistics Descriptive Statistics

	Mean	Std. Deviation	N
Y2	8,1424	2,35894	32
X1	,4539	,25540	32
X2	,3619	22033	32
X3	31,3194	32,89628	32
Y1	24,3025	21,68078	32

Source: Result of Multiple Linear Regression

b. Classic Assumption Test

The multiple linear regression model is used to test the linear relationship of the dependent variable and the independent variable. To test the feasibility of a model, we use following test:

1. Normality Test.

Normality Test is used to test whether standardized residuals in the regression model are normally distributed. Thus, the normality test here according to Suliyanto (2011: 69) is not

done per variable (univariate) but on the value of standardized residuals (multivariate). Normality Test using the Kolmogorov-Smirnov non-parametric statistical test, obtained:

**Table 12. Uji Normalitas dengan model Kolmogorov-Sminov.
One-Sample Kolmogorov-Smirnov Test.**

		Standardized Residual
N		32
Normal Parameters ^{ab}	Mean	0E-7
	Std. Deviation	,93325653
Most Extreme Differences	Absolute	,144
	Positive	,144
	Negative	-,105
Kolmogorov-Smirnov Z		,817
Asymp. Sig. (2-tailed)		,517

a. Test distribution is Normal

b. Calculated from data.

Source: Result of Multiple Linear Regression

Based on table above, value of asymp.sig. (2-tailed) is $0.517 > 0.05$. It means the data are normally distributed.

2. Linearity Test

This Linearity Test aims to find out which model is proved to be a linear model or not. Linearity test with the Lagrange Multiplier (LM-Test) method was carried out to measure linearity. Suliyanto (2011: 163) says that the principle of this method is to compare the calculated X^2 value (nxR^2) with the X^2 table value with $df = (n, \alpha)$.

**Table 13. Result of Linearity Test
Model Summary^a**

Model	R	R-Square	Adjusted R_Square	Std. Error of the Estimate
1	.117 ^a	.014	-.132	1.58662711

a. Predictors (Constant), Y1sqr, X3sqr, X2sqr, X1sqr.

b. Dependent Variable: Unstandardized Residual.

Source: Result of Multiple Linear Regression

Based on table above, R^2 value = 0,014. Score of calculated $X^2 = 0.434 < X^2_{table} = 44.985$. Hence, it can be concluded that the regression model is linear.

3. Multicollinearity Test

Multicollinearity Test aims to test whether in the regression model that is formed there is a high or perfect correlation between independent variables. This multicollinearity test can be done by looking at the value of TOL (Tolerance) and Variance Inflation Factor (VIF) of each independent variable on the dependent variable. If the VIF value < 10 and TOL value > 0.10 , there are no symptoms of multicollinearity.

Table 14. Result of Multicollinearity Test Coefficients^a

Collinierity Statistics		
	Tolerance	Variance Inflation Factor (VIF)
X1	,235	4,257
X2	,232	4,302
X3	,760	1,315
Y1	,682	1,467

a. Dependent Variable: Y2

Source: Result of Multiple Linear Regression

Based on Table 14, Tolerance value > 0.10 and VIF < 10. It means there are no symptoms of Multicollinearity on this regression model.

4. Heteroscedasticity Test

Heteroscedasticity means that there are variable variants in the regression model that are not the same (constant). If the variable variant in the regression model has the same value (constant) as expected in the regression model, it is called homoscedasticity. To test Heteroscedasticity, you can use the White Test by regressing all the independent variables, the free squared variable, and the multiplication (interaction) of the independent variable on the residual value of the square. If the calculated X^2 value ($n \times R^2$) > of the X^2 value of the table with $df = (n, \alpha)$, in the model against heteroscedasticity disorder.

Tabel 15. Result of Heteroscedasticity Test Model Summary^a

Model	R	R-Square	Adjusted R_Square	Std. Error of the Estimate
1	,497 ^a	,247	-,374	2,35971

a. Predictors (Constant), X1, X2, X3, Y1, Y1sqr, X3sqr, X2sqr, X1sqr, Y1_X1, Y1_X3, Y1_X2, X2_X3, X1_X2, X1_X3

b. Dependent Variable: U2

Source: Result of Multiple Linear Regression

Based on Table 15, R^2 value = 0,247, Score of calculated $X^2 = 7,657 < X^2_{table} = 44.985$. Accordingly, it can be concluded that the regression model has no Heteroscedasticity symptoms.

c. Hypotheses Testing

1. Coefficient of Determination (R^2).

R^2 describes the contribution of the dependent variable to the independent variable. The higher the value of R^2 , the higher the ability of the independent variable to explain variations in changes in the dependent variable.

Table 16. Coefficient of Determination (R^2). Model Summary^a

Model	R	R-Square	Adjusted R_Square	Std. Error of the Estimate
1	,775 ^a	,600	,541	1.59767

a. Predictors (Constant), Y1, X3, X2, X1

b. Dependent Variable: Y2

Source: Result of Multiple Linear Regression

Table 16 shows that regression model explain the impact of independent variables towards dependent variables by 60 %, while the rest 40 % is explained by other variables outside this model

2. F Test

**Table 17. Result of F Test
ANOVA^a**

Model	Sum of Square	df	Mean Square	F	Sig.
1 Regression	103,584	4	25,896	10,145	,000 ^b
Residual	69,919	27	2,553		
Total	172,503	31			

a. Dependent Variable: Y2

b. Predictors (constant), Y1, X3, X2, X1

Source: Result of Multiple Linear Regression

Table 17 shows value of calculated F 10,145 > F_{table} 2.679 on $\alpha = 0.05$. It means that the model is allowed to use (*fit*) in order to explain the influence of independent variables towards dependent variables.

3. T Test

**Table 18. Result of T Test
Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficient	t	Sig.
	B	Std Error	Beta		
1 (Constant)	3,823	1,735		6,203	,036
X1	6,502	2,318	,704	2,805	,009
X2	1,817	2,701	,170	,873	,507
X3	-.009	,010	-,121	-,870	,392
Y1	,040	,016	,372	2,525	,018

a. Dependent Variable: Y2

Source: Result of Multiple Linear Regression

Table 18 shows that independent variables X1 and Y1 partially have positive and significant impact on Y1. Variable X2 has no significant impact on Y2 and Variable X2 has negative and insignificant impact on Y2.

Based on the above result of analysis, obtained the result of hypotheses 2 as follow:

**Table 19. Test of Hypothesis 2.
Hasil Pengujian Hipotesis 2.**

Dependent Variable	Independent Variable	P	T	Sig. α 5%	Description	Hypothesis 2
Y2	X1	,704	2,805	,009	significant	Accepted
F = 10,145	X2	,170	,873	,507	insignificant	Rejected
Sig. = ,000	X3	-,121	-,870	,392	insignificant	Rejected
R ² = ,600	Y1	,372	2,525	,018	significant	Accepted

Source: Result of Multiple Linear Regression

4. Test of Mediation variables

Mediation or intervening variables are intermediate or mediating variables, mediating the relationship between the independent variable and the dependent variable. Mediation variable regression analysis using the Product Coefficient model developed by Sobel (1982) using the

strength (significance) indirect variables independent of the dependent variable through mediating variables.

Table 20. Test of Hypothesis 3.

Variable	Z test on α 5%	Significance	Hypothesis 3
X1->Y1->Y2	1,57 < 1.96	insignificant	Rejected
X2->Y1->Y2	-0,17 < 1.96	insignificant	Rejected
X3->Y1->Y2	-1.40 < 1.96	insignificant	Rejected

Source: Result of Multiple Linear Regression (Model Product of Coefficient)

The output above shows that Y1 did not succeed in mediating the relationship between variables X1, X2, and X3 against Y2. This means that the capability of publicly listed companies in the consumer goods industry has not succeeded in encouraging financial management functions in increasing the value of the company.

5. Path coefficient dichotomy.

The analysis above illustrates the direct effect and the indirect effect between the independent variable and the dependent variable.

Table 21. Direct, Indirect, and Total Effects.

Relationship	Direct Effect	Indirect Effect	Total Effect
X1->Y1	0,845 (S)		
X2->Y1	0,830 (S)		
X3->Y1	-0,470 (S)		
X1->Y2	0,704 (S)	X1->Y1->Y2 = 0,31434 (TS)	1,01834
X2->Y2	0,170 (TS)	X2->Y1->Y2 = 0,30876 (TS)	0,47876
X3->Y2	-0,121 (TS)	X3->Y1->Y2 = -0,17484 (TS)	-0.29584
Y1->Y2	0.372 (S)		

Sumber: Source: Result of Multiple Linear Regression

DISCUSSIONS

Based on the output of substructure 1 and substructure 2 equations, the path diagram can be drawn as follows:

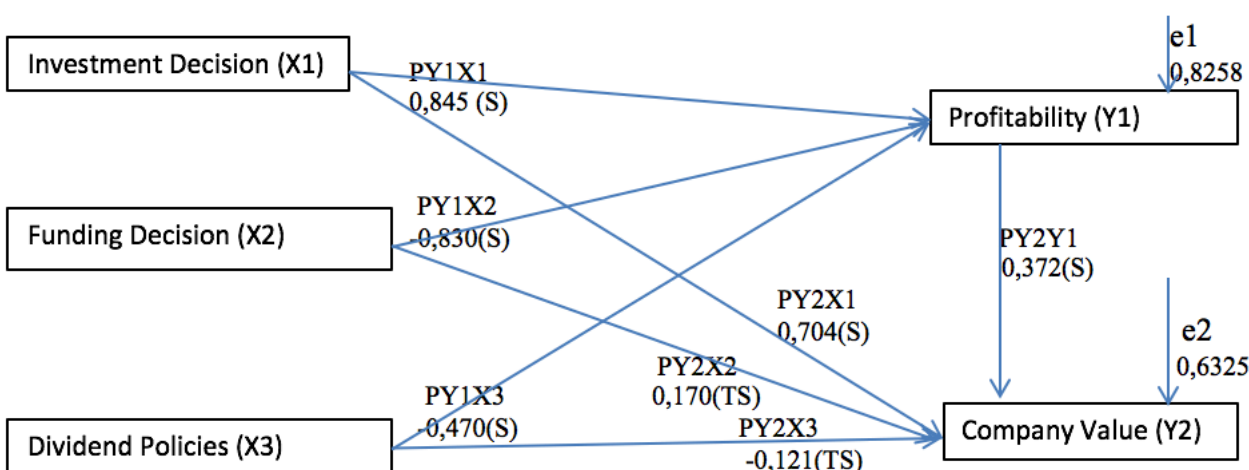


Figure 3. Path Diagram on substructure equation 1 and 2

1. Direct Effect of Financial Management Functions on Company Profitability.

$$\text{Model: } Y1 = P1X1 + P2X2 + P3X3 + e1$$

$$Y1 = 0,845X1 + 0,830 X2 - 0,470 X3 + 0,8258$$

a. Direct Effect of Investment Decisions on Company Profitability.

The output above shows that X1 (investment decision) which is projected in investment opportunities has positive and significant effect on Y1 (company capability). This means that the higher the market opportunity absorbed, the higher the company's ability to create profits. This shows that the success of investment decisions in creating a profit of 84.50% and the remaining 39.37% is related to other variables outside the investment opportunity.

b. Direct Effect of Funding Decisions on Company Profitability.

The above output shows that X2 (funding decision) which is projected in the ratio of debt and total assets has a significant effect on Y1 (corporate ability). This means that the higher the use of debt, the higher the company's ability to create profits. This shows that the success of funding decisions in creating profits by 83% and the remaining 41.23% related to other variables outside of debt.

c. Direct Effect of Dividend Policy on Company Profitability.

The above output shows that X3 (dividend policy) which is projected in the dividend payout ratio has a negative and significant effect on (Y1) the ability of the company. This means that the higher the dividend payout, the lower the company's ability to create profits. This shows that the success of dividend policy in creating a negative profit of 47% and the remaining 72.80% is related to other variables outside the dividend payout.

2. Direct Effect of Financial Management Functions on Company Value.

$$\text{Model: } Y2 = PY2X1 - PY2X2 - PY2X3 + PY2Y1 + e2$$

$$Y2 = 0,704X2 + 0,170X2 - 0,121X3 + 0,372Y1 + 0,6325$$

a. Direct Effect of Investment Decision on Company Value

The above output shows that X1 (investment decision) projected in investment opportunities has a positive and significant effect on Y2 (firm value). The higher the market opportunity is absorbed, the higher the value of the company. This means that investment opportunities can be used in relation to increasing company value. Therefore, the success of investment decisions in increasing company value by 70.40% and the remaining 54.40% is related to other variables outside of investment opportunities.

b. Direct Effect of Funding Decision on Profitability

The above output shows that X2 (funding decision) projected in the ratio of debt and total assets has no significant effect on Y2 (company value). The higher the use of debt, the higher the value of the company, is not significant. This means that debt can be used to increase the value of a company under certain conditions. This shows that the success of funding decisions in increasing the value of the company by 17% and the remaining 91.10% related to other variables beyond debt.

c. Direct Effect of Dividend Policies on Company Value

The above output shows that X3 (dividend policy) projected in the dividend payout ratio has negative and insignificant effect on (Y2) the value of the company. This means that the higher the dividend payout, the lower the value of the company, is not significant. This shows that the success of dividend policy in increasing the value of the company is negative 12.10% and the remaining 93.75% is related to other variables outside the dividend payout.

d. Direct Effect of Profitability on Company Value

The output above shows that Y1 (firm capability) that is projected in return on equity has a positive and significant effect on firm value. This means that the higher the company's ability to create profits, the higher the company's value. This shows that the company's success in

creating profits amounted to 37.20% and the remaining 79.25% is related to other variables beyond return on equity.

3. Indirect Effects of Financial Management Functions on Firm Value through Company Profitability.

a. The Indirect Effect of Investment Decisions on Company Value through Company Profitability.

The output above shows that Y1 (firm capability) has a positive and not significant effect in mediating the effect of investment decisions on firm value. This means that the higher the company's ability to create profits, the more influential its ability to mediate investment decisions on company value. Company profitability as measured by return on equity has a positive and not significant effect in mediating the relationship of investment decisions to firm value. The magnitude of the direct effect ($X1 \rightarrow Y2$) = 0.704 is greater than the indirect effect ($X1 \rightarrow Y1 \rightarrow Y2$) = 0.31434, indicating that the firm's profitability does not contribute to strengthen the influence of investment decisions on firm value.

b. The effect of funding decisions on the value of the company through the company's capability.

The above output shows that Y1 (firm capability) has a positive and not significant effect in mediating the effect of funding decisions on firm value. This means that the higher the company's profitability as measured by return on equity, the more influential in mediating the relationship between funding decisions and firm value. The magnitude of the direct effect ($X2 \rightarrow Y2$) = 0.170 is smaller than the indirect effect ($X2 \rightarrow Y1 \rightarrow Y2$) = 0.30876, indicating that the existence of kemabulabaan helped strengthen the influence of funding decisions on corporate value.

c. The effect of dividend policy on company value through the company's profitability.

The above output shows that Y1 (firm capability) has a negative and not significant effect in mediating the effect of funding decisions on firm value. This means that the firm's profitability as measured by return on equity has a negative and not significant effect in mediating the relationship between funding decisions and firm value. The magnitude of the direct effect ($X3 \rightarrow Y2$) = -0,082 is smaller than the indirect effect ($X3 \rightarrow Y1 \rightarrow Y2$) = -0.0965, indicating that the existence of kemabulabaan also strengthens the effect of dividend policy on firm value.

4. The effect of the total function of the company's financial management on the value of the company through the company's profitability.

In General, profitability helped strengthen the influence of financial management functions on corporate value. This is reflected in the magnitude of the total influence of investment decisions both directly and indirectly through profitability to the value of the company of 102.83% > 31.43%. The total effect of funding decisions, both directly and indirectly through profitability to the value of the company is 47.87%, greater than 30.87%. The total effect of the dividend policy both directly and indirectly through profitability to the company's value of negative 29.58% is greater than negative 17.48%. Thus, it can be said that profitability participated in strengthening the influence of investment decisions, funding decisions and dividend policy on corporate value.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

1. Directly, investment decisions and funding decisions have positive and significant effect on profitability, dividend decisions have negative and significant effect on the profitability of companies.
2. Directly, investment decisions and profitability decisions have positive and significant effect on firm value, funding decisions have positive and insignificant effect on company value, and dividend policy has negative and insignificant effect on firm value.
3. Indirectly, profitability has no significant effect in mediating the influence of financial management functions: investment decisions, funding decisions and dividend policies on the value of the company
4. Overall, profitability participated in strengthening the influence of the function of financial management on the value of the company.

Recommendations

1. For further researchers, can use other variables outside this model in explaining the role of financial management functions on the ability of companies to create profits.
2. For businesses in making investment decisions, should pay more attention to the risks in investing.

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