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The Effect of Debt Policy, Investment Policy, Profitability on Company Value in Construction and Building Sub-Sector Companies Listed on IDX

[1]Asyifa Khairunnisa, [2]Noni Ardian
[1,2,]Management Study Program, Universitas Pembangunan Panca Budi, Indonesia
noniardian@dosen.pancabudi.ac.id

Abstract. This study aims to determine the effect of debt policy, investment policy, profitability on company value in construction and building sub-sector companies listed on the IDX from 2018-2022. The ratios used to measure debt policy are debt to *equity ratio (DER), investment policy is measured by price* to earning ratio (PER), profitability is measured by *return on assets (*ROA), and company value is measured by *price book value* (PBV). This research is a research with a quantitative approach. The sampling technique uses purposive sampling method. It is known that from 22 total populations, there are 13 companies that meet the criteria to be sampled. Data analysis techniques using panel data regression analysis. The results showed that partially debt policy and investment policy did not affect the value of the company, but profitability affected the value of the company. The results also show that simultaneously debt policy, investment policy, and profitability affect the value of the company.

Keywords: Debt Policy, Investment Policy, Profitability, Company Value.

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1. Introduction

In the ongoing era of government, the construction sector and building development are key pillars for the government in an effort to improve the country's economy. The importance of infrastructure development must now remain prioritized because the construction sector plays an important role in encouraging Indonesia's national economic growth. Infrastructure development is one of the main factors contributing to the improvement of the construction sector and Indonesia's overall economic growth (www.bps.go.id). According to BPS data, the number of construction companies in Indonesia is 197,030 units in 2022. This number was corrected by 3.13% compared to the previous year which reached 203,403 units. By seeing the increasing number of construction companies, the impact, a company must compete with other companies so that the company can maintain its survival and develop for market expansion. Companies need large funding needs so that this can be achieved. The fulfillment of the funds needed by the company requires investment from various parties, both from external parties such as creditors and investors, as well as funding from internal, which relies on company profits for development. Companies that want to get capital from external parties must have a good corporate value in order to attract investors to provide capital to the company.

The company's goal in the long run is to optimize the value of the company. Company value itself is an investor's perception of the company's success rate which is often associated with stock prices. For investors, company value is an important concept because company value is an indicator of how the market values a company as a whole. The value of the company can basically be measured through several aspects, one of which is the market price of the company's shares because the market price of the company's shares reflects the investor's overall assessment of each equity owned. According to (Abdillah, 2013), the higher the value of the company, the greater the prosperity that will be obtained by the shareholder, the higher the

stock price, the higher the value of the company. The value of the company can be seen from Price to Book Value (PBV) which is a comparison between the market price per share with the book value per share (Hery, 2015). Based on this comparison, it can be known that the higher the stock price of a company, the higher the value of the company which is a comparison of the market price of a stock with its book value. The meaning of book value is the comparison between capital and the number of shares outstanding. Based on its book value, PBV shows how much a company is able to create value relative to the amount of capital invested (Minarni, 2018). A high PBV will make investors believe in the company's future prospects (Ramadhan, 2018).

The size of PBV is inseparable from several policies taken by the company. One policy that is very sensitive to PBV is debt policy. Debt policy can also be linked to the value of the company (Ramadhan, 2018). Debt policy is a company's policy on how far a company uses debt funding. The use of debt for companies has a sensitive influence on the high and low value of the company where the higher the proportion of debt set by the company at a certain level, the higher the value of the company, if the level of debt exceeds the proportion of debt set by the company then what happens is a decrease in the value of the company because the benefits obtained from the use of debt are relatively smaller than the costs caused. Debt policy can be measured by Debt to Equity Ratio (DER) (Abdillah, 2012). Debt to Equity Ratio (DER) is a ratio used to determine the ratio between total debt and own capital. This ratio is useful for knowing how much of the company's assets are financed from debt.

Investment decision is the decision to place a certain amount of funds by an investor in a company within a certain period of time (Ali, 2016). Investment decisions are measured using Price Earning Ratio (PER). Price Earning Ratio (PER) is a ratio used to assess the high cost of stocks based on the company's ability to generate net income. Net income in this case is earnings per share. Price Earning Ratio A high (PER) indicates investors expect high net income growth from the company. The increase in corporate value from this investment will be reflected in the increase in share price. In other words, investment decisions must be valued in relation to the ability to generate profits equal to or greater than required by the owner of capital. The definition of value here is the intrinsic value of an investment which is nothing but the present value of the expected cash flow of the investment.

In addition to debt policy, profitability is also one of the factors affecting the value of the company. Profitability is the company's ability to make a profit. The company's profit comes from sales and investment decisions made by the company. High profitability indicates good company performance so that the company will get a positive response from investors and stock prices will increase (Septia, 2015). Dividend policy is measured using Return on Asset Ratio (ROA). In this study Company Value is measured by Price to Book Value (PBV), while the development of PBV in construction and building sub-sector companies listed on the Indonesia Stock Exchange can be seen in table 1.1:

Table 1. Company Value Measured by *Price Book Value* in Construction and Building Sub-Sector Companies Listed on IDX for the 2018-2022 Period

No.	Issuer Code	2018	2019	2020	2021	2022
1	ACST	0.76	2.37	8.72	2.39	2.97
2	ADHI	-	0.00	0.00	0.56	0.46
3	BUKK	2.55	1.51	1.03	0.96	0.78
4	DGIK	0.42	0.41	0.43	1.68	1.19
5	IDPR	-	0.61	0.55	0.60	0.57
6	JKON	2.30	3.02	2.43	0.76	0.68

Source: Data Processed by the Author, 2024

Based on table 1., it can be seen that the PBV value fluctuates and even the volatility of values between periods tends to decrease. In ACST issuers, the PBV value fell freely from 2020 to 2021 of 6.33. In JKON issuers, the PBV value tends to decrease from year to year even though in 2019 it increased by 3.02. BUKK issuers have also consistently declined for 5 consecutive periods. Meanwhile, ADHI's issuer PBV value

has increased even though the value is still below number 1, namely 0.96 in 2021 and 0.78 in 2022. Companies that do well, generally have a PBV above one, which reflects that the market value of the stock is greater than its book value. Conversely, if the PBV value is below one reflects investors' perception of the company's prospects is fairly low. Because with a PBV value below one describes the company's selling price lower than the company's book value (Martikarini, 2014). This means that investors tend to be less interested in shares of the company so that the selling value of the company's shares in the market is low. In this study Debt Policy measured by *Debt to Equity* Ratio (DER), Inflation Policy measured by *Price Earning Ratio* (PER) and Profitability measured by *Return on Asset* (ROA).

2. Literature Review

2.1. Signalling Theory

Signaling theory was first introduced by Spence in his research entitled Job Market Signaling. Spence (1973) suggests that a signal or signal provides a signal, the sending party (owner of information) tries to provide relevant pieces of information that can be utilized by the receiving party. The receiving party will then adjust its behavior according to its understanding of the signal.

According to Azmi et al (2018), Signaling theory suggests how a company should provide signals to users of financial statements. This signal is in the form of information about what has been done by management to realize the wishes of the owner. Signals can be promotions or other information stating that the company is better than other companies. Meanwhile, according to Brigham and Houston (2011), signaling theory is a behavior of company management in providing clues to investors regarding management's views on the company's prospects for the future.

2.2. Company Value

Company value is an investor's perception of a company's level of success that is often tied to the stock price. A high stock price makes the company's value also high, and increases market confidence not only in the company's current performance but also in the company's future prospects. According to (Ferina dkk., 2015), company value is the price of a share that has been outstanding in the stock market that must be paid by investors to be able to own a company. The value of the company is reflected in the bargaining power of shares, if the company is estimated as a company that has good prospects in the future, the value of shares is higher. Conversely, if the company is considered to have less prospects, the stock price becomes weak.

The value of a company can be measured using stock prices using a ratio called the valuation ratio. According to (Sudana, 2011) the ratio, valuation is a ratio related to the assessment of the performance of company shares that have been traded in the capital market (Go public). According to (Achmad & Amanah, 2014) Company value is a value that describes the level of the company's ability to prosper shareholders which can be measured using Price to Book Value (PBV) is the market value per share divided by the book value per share. The value of the company in this study was measured using a ratio Price to Book Value (PBV). According to (Brigham & Houston, 2013) Price to Book Value (PBV) is the value provided by an investor or how an investor values an issuer. By knowing the value of PBV, investors can choose companies that have high growth with low risk. The PBV ratio can be calculated by the formula:

$$Nilai\ Buku\ per\ Lembar\ Saham\ Biasa = \frac{Ekuitas\ Saham\ Biasa}{Jumlah\ Lembar\ Saham\ Biasa\ yang\ Beredar}$$

$$Price\ Book\ Value\ (PBV) = \frac{Harga\ Pasar\ per\ Lembar\ Saham}{Nilai\ Buku\ per\ Lembar}$$

2.3. Debt Policy

Debt is capital outside the company to carry out its operational activities. Debt is referred to as an instrument that is quite sensitive to changes in company value. Debt policy is the company's policy in determining how much the company's funding needs are financed by debt. In making decisions on the use of this debt, it must consider the amount of fixed costs arising from debt in the form of interest which will lead to increased financial leverage and more uncertain returns for ordinary shareholders.

Debt policy is a policy taken by management in order to obtain funding sources for the company so that it can be used to finance the company's operational activities. The definition of Debt Policy according to (Kasmir, 2019) is as follows: "Debt policy is a policy used to measure the extent to which a company's

activities are financed with debt".

The level of debt use of a company can be shown by one of them using the debt to equity ratio (*Debt to Equity Ratio*), that is, the ratio of the amount of debt to the amount of own capital. The purpose of this ratio is to measure the company's ability to pay its debt with existing capital or equity. According to (Kasmir, 2019) measurements affecting debt policy can be made using: "*Debt To Equity Ratio* is the ratio used to value debt to equity. This ratio is sought by comparing between all equities. This ratio is useful for knowing the amount of funds provided by borrowers (creditors) with company owners". What is the formula *Debt To Equity Ratio* (DER) according to (Kasmir, 2019), which is as follows:

$$Debt\ to\ Equity\ Ratio\ (DER) = \frac{Total\ Hutang}{Total\ Ekuitas}$$

2.4. Investment Policy

Investment decisions are one of the decisions that must be taken by financial managers to allocate existing funds in order to bring profits in the future. Investment can come from inside or outside the company. (Sutrisno, 2012) Presenting investment decisions is the task of financial managers that are carried out routinely is how to regulate the flow of funds so that the company's operations run well. In addition to these routine tasks, financial managers have a fairly heavy task, namely making investment decisions. This decision is very important with the size and growth of the company. The more the company develops, the management is required to make investment decisions, such as opening branches, expanding businesses, and establishing other companies.

Investment decisions can be measured by PER (*Price Earning Ratio*). PER is a ratio that measures how much the ratio between the company's stock price and the profits obtained by shareholders. There is a PER (*Price Earning Ratio*) formula, which is as follows:

$$Price\ Earning\ Ratio\ (PER) = \frac{Harga\ Saham}{Earning\ Per\ Share}$$

2.5. Profitability

Profitability is the ability of a company to make a profit at a certain level of sales, assets and capital. According to the profitability ratio, it is a ratio to assess the company's ability to seek profits or profits in a certain period. The growth of the company's profitability is one of the important indicators for investors in assessing the company's prospects in the future. It depends on how investors perceive the increase in company profitability. Investor perception of the company's profitability will affect the stock price as well as the value of the company (Hernomo, 2014).

Profitability shows the effectiveness of the company in generating a level of profit with a series of asset management owned by the company so that profitability is able to influence investor perceptions of the company about the company's prospects in the future because with a high level of profitability, the higher the investor's interest in the company's stock price (Pertiwi, et al., 2016).

The profitability ratio is generally proxied on the rate of return obtained against the total assets owned by the bank, namely *Return on Assets* (ROA). Investors will measure how much the bank is able to manage its assets to make a profit. The profit in question after deducting interest expense and tax expense (*net profit*). The higher the ROA value of a bank shows better financial performance, with an increase in financial performance will attract the desire of investors to invest by buying shares. The equation used to measure the company's ability to achieve profits through total assets owned is as follows:

$$Return\ on\ Asset\ (ROA) = \frac{Laba\ Setelah\ Pajak}{Total\ Asset}$$

3. Method

3.1. Research Approach

This research is a research with a quantitative approach, because the data used in the research is in the form of numbers and data analysis is carried out using statistics. Based on its characteristics, this study is classified as comparative causal research. That is, this study aims to determine the causal relationship

between two or more variables, namely independent variables against dependent variables (Sugiyono, 2013).

3.2. Population and Sample

Population

According to Sugiyono (2010), population is a generalization area consisting of objects or subjects that have certain characteristics and qualities determined by researchers to be studied and then a conclusion will be drawn in accordance with the expected criteria. The population in this study is all manufacturing companies in the construction and building sub-sector listed on the Indonesia Stock Exchange, totaling 22 companies.

Sample

According to Sugiyono (2010) Samples are some characteristics of the number found in the population. Sampling in this study was carried out by the Purposive Sampling method, which is sampling from the population based on certain criteria. The following criteria in sampling have been determined by the author, namely:

a. Construction and building sub-sector manufacturing companies listed on the IDX

b. Companies that have *annual repport* and *sustaibability reports* that present complete data during the observation period (2018-2022).

It is known that from the 22 total population there are 13 companies that meet the criteria to be sampled, where 8 other companies do not meet the predetermined criteria. So that the companies that can be taken as a sample are 13 companies.

Table 2. Research Sample

No.	Issuer Code	Issuer
1	ACST	PT Acset Indonusa, Tbk
2	BUKK	PT Bukaka Teknik Utama, Tbk
3	DGIK	PT Nusa Konstruksi Enjiniring, Tbk
4	JKON	PT Jaya Konstruksi Manggala Pratama, Tbk
5	NRCA	PT Nusa Raya Cipta, Tbk
6	PBSA	PT Paramita Bangun J Sarana, Tbk
7	PPRE	PT PP Presisi, Tbk
8	PTPP	PT PP (Persero), Tbk
9	SSIA	PT Surya Semesta Internusa, Tbk
10	TOPS	PT Totalindo Eka Persada, Tbk
11	WEGE	PT Wijaya Karya Bangunan Bangunan, Tbk
12	WIKA	PT Wijaya Karya (Persero), Tbk
13	WSKT	PT Waskita Karya (Persero) Tbk

I.Source: Data Processed by the Author, 2024

3.3. Data Analysis Techniques

a. Descriptive Statistical Analysis

Descriptive statistics are statistics used to analyze data by deproposing or describing the collected data as it is without the intention of making generalized conclusions or generalizations. Descriptive statistical analysis is used to describe statistics in the form of mean, sum, standard deviation, variance, range, and others.

b.Panel Regression Model Estimation

Rusiadi (2017) explained that panel data analysis is a data analysis model that combines cross section data with time series data. Cross *section* data is data obtained from data sources at one time or one-way observation. While time series or periodic data is data collected from time to time to provide an overview of the development of a phenomenon.

For hypothesis testing, this study uses panel data analysis, used to determine the magnitude of the relationship with the influence of independent variables that number 2 (three) or more (X1 and X2) on the dependent variable (Y). The regression model equation used is, as follows:

$Yit = \alpha + \beta_1 X_1 it + \beta_2 X_2 it + \beta_3 X_3 it + \beta_4 X_4 it + \varepsilon$

Where:

Yit = dependent variable
Xit = independent variable (independent)
i = number of observations
α = constant
β1-4 = regression coefficient
t = a lot of time (2017-2021)
ε = error

In estimating regression models with panel data, there are three approaches that are often used, namely the Common Effect model approach*, Fixed Effect model and Random Effect.*

c. Model Specification Test

Before estimation, a model specification test is first carried out to find out the model to be used. Test specifications used in this study, namely; Chow Test*, Haussmant Test and Lagrange Multiplier Test.*

d.Panel Data Regression Analysis

To test the hypothesis that the author has previously made, the author uses panel data regression analysis techniques. The goal is to answer the problem of research the relationship between two or more independent variables with the dependent variable. In this study, the dependent variable used is Company Value (PBV), while the independent variables are DER, PER, and ROA. The formulation of the panel data regression analysis equation model systematically is, as follows:

$\dot{Y}it = \alpha + \beta_1 X_1 it + \beta_2 X_2 it + \beta_3 X_3 it + \varepsilon$

Where:

$\dot{Y}it$ = dependent variable
$\dot{X}it$ = independent variable (independent)
i = number of observations
α = constant
β1-3 = regression coefficient
t = lots of time
ε = error

e. Test the hypothesis

The data in this study were analyzed using multiple linear regression. Multiple linear regression tests are used to explain the relationship and how much influence the independent (independent) variables have on the dependent (bound) variable. Test the hypothesis in this study, namely; Coefficient of Determination Test (R2), Partial Significance Test (Statistical Test t) and Simultaneous Significance Test (Statistical Test F).

4. Result and Discussion

4.1. Descriptive Statistical Analysis

This descriptive statistic is a statistical test used to find out the general picture of research data. The following descriptive statistical test results can be seen from the mean, standard deviation, maximum and minimum values and are briefly shown in table 1 below:

Table 3. Descriptive Statistical Analysis

Descriptive Statistics

	N	MinimumStatistic	MaximumStatistic	MeanStatistic	Std. DeviationStatistic
DER	65	0,49	35,47	6,714667	2,311505
PER	65	- 92,00	227,27	15,66438	16,06453
ROA	65	- 43,76	12,98	1,461619	0,747617
PBV	65	-	8,72	1,508095	1,010795
Valid N (listwise)	65				

Source: Processed secondary data, 2023

Based on the results of data processing in table 3., it can be seen that: Mean PBV of 1.508095 can be interpreted as the stock price in the market is 1.508095 higher than the book value, this condition can be said to be good. The highest PBV value was 8.72 and the lowest was 0.00. DER has a mean value of 6.714667. The mean DER of 6.714667 can be interpreted as the company's capital structure comes from higher liabilities of 6.714667 compared to equity. The highest DER value was 35.47 and the lowest value was 0.49. PER has a mean value of 15.66438. The mean PER of 15.66438 can mean that the stock price in the market is 15.66438 higher than earnings per share. The highest PER value was 227.27 and the lowest value was -92. ROA has a mean value of 1.461619. The mean ROA of 1.461619 can be interpreted from the use of total assets resulting in a net income of 1.461619. The highest ROA value was 12.98 and the lowest value was -43.76.

4.2. Model Data Panel

According to Basuki and Prawoto (2016), panel data is a combination of time series data and cross section data. In estimating regression models with panel data, there are three approaches that are often used, namely the Common Effect model approach*, Fixed Effect model and Random Effect.*

4.3. Common Effect Model (CEM)

The common effect model (CEM) is the simplest panel data model because it only combines time series data with cross sections.1 This study uses panel data with the number of research objects of 13 companies within a period of 5 years. Here are the test results:

Table 4. Common Effect Model (CEM)

Dependent Variable: PBV
Method: Panel Least Squares
Date: 02/11/23 Time: 23:43
Sample: 2018 2022
Periods included: 5
Cross-sections included: 13
Total panel (balanced) observations: 65

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5088,150	33645,80	0,224684	0,8226
DER	0,752682	0,713438	1,055013	0,2934
PER	0,134593	0,121021	1,112148	0,2682
ROA	0,181912	0,071402	2,547705	0,0120

R-squared	0,059943	Mean dependent var	37264,88
Adjusted R-squared	0,037911	S.D. dependent var	8698,028
S.E. of regression	8531,561	Akaike info criterion	20,97077
Sum squared resid	9.32E+09	Schwarz criterion	21,05812
Log likelihood	-1380,071	Hannan-Quinn criter.	21,00626
F-statistic	2,720667	Durbin-Watson stat	1,258367
Prob(F-statistic)	0,047205		

Source: Results of Data Processing with Eviews 10

4.4. Fixed Effect Model (FEM)

The fixed effect model approach does not pay attention to the time dimension or the individual dimension. This approach assumes that data behavior between companies is the same over different periods of time. The results of fixed effect model regression in this study can be seen in the following table:

Table 5. *Fixed Effect Model* (FEM)

Dependent Variable: PBV
Method: Panel Least Squares
Date: 02/11/23 Time: 23:45
Sample: 2018 2022
Periods included: 5
Cross-sections included: 13
Total panel (balanced) observations: 65

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	67666,27	153689,5	-0,440279	0,6606
DER	3,599333	5,537120	0,650037	0,5171
PER	0,233347	0,233550	0,999133	0,3200
ROA	0,344649	0,103887	3,317549	0,0012

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0,484705	Mean dependent var	37264,88
Adjusted R-squared	0,369125	S.D. dependent var	8698,028
S.E. of regression	6908,638	Akaike info criterion	20,68775
Sum squared resid	5.11E+09	Schwarz criterion	21,23373
Log likelihood	-1340,391	Hannan-Quinn criter.	20,90961
F-statistic	4,193672	Durbin-Watson stat	1,850390
Prob(F-statistic)	0.000000		

Source: Results of Data Processing with Eviews 10

4.5. Random Effect Model (REM)

The random effect model approach is based on differences between intercepts and slopes as a result of differences between individuals or objects. The following are the results of the regression random effect model in this study:

Table 6. *Random Effect Model* (REM)

Dependent Variable: PBV
Method: Panel EGLS (Cross-section random effects)
Date: 02/11/23 Time: 00:05
Sample: 2018 2022
Periods included: 5
Cross-sections included: 13
Total panel (balanced) observations: 65
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13279,13	27892,44	0,476083	0,6348
DER	0,629282	0,903930	0,696162	0,4876
PER	0,118973	0,137818	0,863260	0,3896
ROA	0,004300	0,075067	0,057277	0,9544
	Effects Specification			
			S.D.	Rho
Cross-section random			3505,520	0,2047
Idiosyncratic random			6908,638	0,7953
	Weighted Statistics			
R-squared	0,006598	Mean dependent var		23360,02
Adjusted R-squared	-0,016684	S.D. dependent var		7488,922
S.E. of regression	7551,137	Sum squared resid		7.30E+09
F-statistic	0,283405	Durbin-Watson stat		1,446042
Prob(F-statistic)	0,837306			
	Unweighted Statistics			
R-squared	0,014105	Mean dependent var		37264,88
Sum squared resid	9.77E+09	Durbin-Watson stat		1,080120

Source: Results of Data Processing with Eviews 10

4.7.Model Conformity Test

a. Chow/Likelihood Ratio Test

The Chow test is a test used to choose the best approach between the *Common Effect Modal* (CEM) approach model and *the Fixed Effect Model* (FEM) in estimating panel data. The basis of the tester's criteria is if the probability value (P-value) for *cross section* F>0.05 (significant value) then the most appropriate model used is the Common Effect Model (CEM). And if the probability value (P-value) for cross section F < 0.05 (significant value) then H0 is rejected, so the most appropriate model to use is the Fixed Effect Model (FEM).

Table 7. Chow Test Results

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistics	d.f.	Prob.
Cross-section F	4,200048	(21,107)	0.0000
Cross-section Chi-square	79,358530	12	0.0000

Source: Results of Data Processing with Eviews 10

Based on the *chow test in* table 7., it is known that the profitability value *of Cross Section* F" in the *probability* column 0.0 < 0.05, then the estimation model used is a fixed effect model *model better than the* common effect model. then the Hausman Test *was tested*.

4.8. Hausman Test

Hausman test is a statistical test to choose whether a fixed effect or random effect model is the most appropriate to use. The basis of the examiner's criteria is if the Probability value is > α (significance level of 0.05) then the most appropriate model to use is the Random Effect Model. And if the Probability value is < α (significance level of 0.05) then the most appropriate model to use is the Fixed Effect Model.

Table 8. Hausman Test Results

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-sq. Statistics	Chi-sq. d.f.	Prob.
Cross-section random	27,914886	3	0,0000

Source: Results of Data Processing with Eviews 10

Based on the results of the Haussmant Test in table 8., it is known that the probability value is 0.00 < 0.05 then the estimation model used *is the Fixed Effect Model*, then there is no need to test the *Lagrange Multiplier*.

4.9.Panel Data Regression Analysis

Regression analysis of panel data was conducted to determine the effect of htuang, investment, and profitability policies on company value in construction sub-sector companies listed on the Indonesia Stock Exchange. Based on the results of panel model selection, it can be concluded that the best model is the *fixed effect model* (REM). The regression results are as follows:

Table 9. Panel Data Regression Results

Dependent Variable: PBV
Method: Panel Least Squares
Date: 02/11/23 Time: 23:45
Sample: 2018 2022
Periods included: 5
Cross-sections included: 13
Total panel (balanced) observations: 65

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	67666,27	153689,5	-0,440279	0,6606

DER	3,599333	5,537120	0,650037	0,5171
PER	0,233347	0,233550	0,999133	0,3200
ROA	0,344649	0,103887	3,317549	0,0012

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0,484705	Mean dependent var	37264,88
Adjusted R-squared	0,369125	S.D. dependent var	8698,028
S.E. of regression	6908,638	Akaike info criterion	20,68775
Sum squared resid	5.11E+09	Schwarz criterion	21,23373
Log likelihood	-1340,391	Hannan-Quinn criter.	20,90961
F-statistic	4,193672	Durbin-Watson stat	1,850390
Prob(F-statistic)	0.000000		

Source: Results of Data Processing with Eviews 10

Based on Table 9., regression panel data is obtained as follows:
PBV = 67666.27 + 3.599DER + 0.233PER + 0.344ROA + e

From the regression equation, it can be explained as follows:

a. The constant (α) of 67666.27 indicates that if everything in the independent variables is considered zero or absent or not calculated, both DER (X1) and PER (X2), and ROA (X3) then the PBV (Y) value is present and positive is 67666.27.
b. The DER coefficient (X1) of 3.599 means that every change in DER of 1% will have the impact of increasing the company's value by 3.599%.
c. The PER (X2) coefficient of 0.233 means that every change in PER of 1% will have the impact of increasing the company's value by 0.233%.
d. The ROA coefficient (X3) of 0.344 means that every change in ROA of 1% will have the impact of increasing the company's value by 0.344%.

4.10 Test the hypothesis

Table 10. Panel Data Regression Results

Dependent Variable: PBV
Method: Panel Least Squares
Date: 02/11/23 Time: 23:45
Sample: 2018 2022
Periods included: 5
Cross-sections included: 13
Total panel (balanced) observations: 65

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	67666,27	153689,5	-0,440279	0,6606
DER	3,599333	5,537120	0,650037	0,5171
PER	0,233347	0,233550	0,999133	0,3200
ROA	0,344649	0,103887	3,317549	0,0012

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0,484705	Mean dependent var	37264,88
Adjusted R-squared	0,369125	S.D. dependent var	8698,028
S.E. of regression	6908,638	Akaike info criterion	20,68775
Sum squared resid	5.11E+09	Schwarz criterion	21,23373
Log likelihood	-1340,391	Hannan-Quinn criter.	20,90961
F-statistic	4,193672	Durbin-Watson stat	1,850390
Prob(F-statistic)	0.000000		

Source: Results of Data Processing with Eviews 10

4.11. Partial Significant Test (t-Test)

The t test is used to determine the effect of the independent variable on the dependent variable individually (partially). The t test can be done by comparing t count with t table (Ghozali, 2018). Based on table 10, above it can be seen that:

a. The effect of debt policy (X1) on company value (Y)
b. The results show that tcalculate 0.650037 < ttable 1.9962 and significant 0.5171 > 0.05, it can be concluded that partially debt policy (DER) (X1) does not have a significant effect on company value (PBV) (Y).
c. The effect of investment policy (X2) on company value (Y)
d. The results show that tcalculate 0.999133 < ttable 1.9962 and significant 0.3200 > 0.05, it can be concluded that partially investment policy (PER) (X2) does not have a significant effect on company value (PBV) (Y).
e. The effect of profitability (X3) on company value (Y)
f. The results show that tcalculate 3.317549 > ttable 1.9962 and significant 0.0012 < 0.05, it can be concluded that partially profitability measured by ROA (X3) has a significant effect on company value (PBV) (Y).

4.12. Simultaneous Significant Test (Test F)

The F test (synchronous test) is performed to see the effect of the independent variable on the dependent variable simultaneously. The method used is to look at the *level of significant* (=0.05). If the significance value is less than 0.05 then H0 is rejected and Ha is accepted.

The F test result from Table 10, shows that Fcalculate is 4.193672 while Ftable is 2.755 which can be seen in $\alpha = 0.05$ (see appendix F table). The probability is significantly smaller than 0.05 which is 0.000 < 0.05, then Ha is accepted and H0 is rejected, which states simultaneously debt policy, dividend policy, and profitability have a significant effect on the value of the company.

4.13. Coefficient of Determination (R2)

The determination test is used to see how much the model is able to explain the dependent variable. In addition, the determination test can also be used to see the closeness or strength of the relationship between the independent variable and the dependent variable. If the determinant (R2) gets closer to one, then the influence of the independent variable is large on the dependent variable. This means that the model used is stronger to explain the influence of the independent variable under study on the dependent variable.

From the results of the determination test in Table 10., showing that the R Square value obtained at 0.484704 which can be called the coefficient of determination, this indicates that only 48.47% of the company's value can be obtained and explained by debt policy, investment policy and profitability, while the remaining 51.53% can be explained by other factors or variables outside the model such as leverage, asset growth, and company size and so on.

4.14. Discussion

a. Effect of Debt Policy (DER) on Company Value (PBV)

Debt to Equity Ratio (DER) is one of the financial ratios that measures the extent to which a company uses its own debt and capital to fund its operations. The use of debt can magnify company profits. If a company can generate a higher return on investment than its cost of debt, then a high DER can increase shareholder profits. Conversely, however, if the cost of debt is high, it can weigh on net income. In this

study, it was found that debt policies measured by DER did not have a significant effect on company value as measured by PBV. The use of excess debt will increase the company's risk in generating profits and cause shareholder doubts about the company's ability to repay its loans.

Based on this, it is clear that investors are not too interested or do not see debt as a good prospect for the sustainability of the company in the future because debt that is too high can cause great risks to the company. The results of this study support the results of previous studies conducted by (Saputro, 2021) which stated that DER has no significant effect on PBV. According to Martikarini's research (2013), high and low debt does not affect shareholders' decisions in increasing company value. So the company should not be fully financed with debt, so that the company does not pose a higher risk of bankruptcy.

b. Effect of Inflation Policy (PER) on Corporate Value (PBV)

PER (Price to Earnings Ratio) is one indicator that is often used to evaluate the financial performance of a company. P/E reflects the relationship between a company's share price and its net income. When inflation increases, production costs and prices of goods and services tend to rise, which can have an impact on a company's net income. This can affect the PER, and thus, can affect investors' perception of the company's performance. However, this study results that Inflation Policy (PER) does not have a significant effect on Corporate Value (PBV). This AI shows that the size of investor interest to invest in the company does not affect the value of the company, because the high level of investment risk that will be borne can affect investor confidence in investing their funds in the company. The higher the investment decision, the higher the value of the company. Investment decisions must allocate funds into investment forms that will be able to bring profits in the future.

Investment decision making is not a consideration by investors in valuing a company. The ineffect of investment decisions is due to uncertainty in the future, uncertainty in the form of technological changes, socioeconomic conditions and government policies. The results of this study support the results of Tarima (2016) research which states that investment decisions (PER) do not have a significant effect on company value. In line with research conducted by Fajaria, Purnamasari and Isnalita (2017) which found that investment decisions and funding decisions did not have a significant positive influence on company value.

c. The Effect of Profitability (ROA) on Company Value (PBV)

Profitability is the company's ability to earn profits in relation to sales, total assets or with capital (equity). High ROA can increase investor confidence in the company's performance. Investors may be more willing to pay higher premiums (PBVs) for shares of companies with a good track record of profitability. The better the profitability growth means that the company's prospects in the future are considered better too, meaning the better the value of the company in the eyes of investors. The results of this study show that profitability measured by ROA affects the value of the company as measured by PBV.

The increase in the company's profit also encourages the increase in the company's book value, the increase in the company's book value makes the market price of shares circulating in the market also increase. The ability to manage maximum company assets is trusted by investors to invest their capital so that it contributes to the increase in stock market value. The results of this study are in line with research conducted by Sari and Jufrizen (2019) explaining that Return on Asset has a significant effect on Price to Book Value and according to Annisa &; Chabachib (2017) explains that Return On Asset has a significant positive effect on Price to Book Value.

D. The Effect of Debt Policy (DER), Investment Policy (PER), and Profitability (ROA) on Company Value

Based on this study, it shows that DER, PER, and ROA have a significant positive effect on PBV. This shows that increasing the ratio of DER, PER, and ROA will make the ratio of PBV will also increase.

5. Conclusion

1. Companies should consider their financial strategy. If debt policy does not have a significant impact on PBV, companies should consider evaluating and optimizing the capital structure. Consider alternatives, such as raising equity or seeking other sources of funding.
2. Review and reevaluate the company's investment strategy. If investment policy does not have a

significant impact on PBV, the company should consider reviewing the investment portfolio and ensuring that the investment strategy is in line with the company's long-term goals.

3. The company focuses on efforts to maintain or increase the level of profitability of the company. Operational strategies and management policies should be designed to increase efficiency in the use of company assets.

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