The Effect Of Net Profit, Dividend, Debt, Cash Flow, And Net Working Capital On Company Investment Decisions

Investment activities are an important agenda for every company in Indonesia to maintain and develop their company's existence. Although Indonesia's economic growth is weak, it does not dampen the intention of company owners to try to invest both in the form of savings, deposits, shares, or non-cash nature such as land, machinery, buildings and others. However, to invest must be based on several considerations, wrong only by preparing a good quality of the company's financial statements. One of the factors many companies went bankrupt is the lack of preparing financial reports that are able to attract potential investors to develop the company's investment activities. provide benefits both short and long term for the company. According

Sjahrial and Purba (2013), an analysis of the company's future prospects from financial statements is one of the most important objectives of business analysis, namely being able to identify and assess the company's competitive strengths and weaknesses as well as opportunities and threats for the company. According to Sjahrial and Purba (2013), financial statements can reveal and inform four company activities namely planning activities, funding activities, investment activities and operating activities. If the financial manager in a company can understand the four activities of this company, an effective financial report will be obtained. Sjahrial and Purba (2013) argue that investment activities refer to the acquisition and maintenance of investments with the aim of selling company products and investing excess cash such as investments in fixed assets or investments in equity. According to Harmono (2009) investment is a form of capital allocation whose realization must produce benefits or future benefits. Thus the company owner can allocate a portion of personal or company funds to invest both in money and non-money in the hope of being able to benefit the company. According to Hidayat (2010), investment decisions include investments in short-term assets (current assets) and long-term assets (fixed assets). Short-term assets are assets for a period of less than one year and the purpose of the company is to invest in the short term to be used as working capital or operational activities of the company. While long-term assets are defined as assets for more than one year and the purpose of the company to invest in long-term assets is to increase the value of the company.

Based on Modigliani and Miller's theory (Atmaja, 2008) that investment decisions have no effect on corporate dividend and funding decisions with perfect capital market assumptions. Atmaja (2008) argues that although this theory is interesting, the empirical evidence that supports it is still only due to the view of dividend and financing (debt) decisions so that there are other possible factors that can influence corporate investment decisions. For this reason, researchers group several factors that influence a company's investment decisions such as net profit, dividends, debt, cash flow and net working capital.

According to Stice, et al (2004), profit is the uptake of investment to the owner. This is used to measure the value that can be given by the entity to investors and the entity still has the same wealth as its initial position. While according to Soemarso (2004), the last number in the income statement is net income. This amount represents a net increase of capital. Instead, if the company suffers a loss, the last number in the income statement is net loss. In general, net

income is believed to be the basis for taxation, determination of dividend payment policies, investment instructions, decision making, and predictive element. Net income is considered accounting profit. The net profit factor is expected to make a significant contribution in making investment decisions for a company.

Dividend policy is one of the policies that must be taken by the company's management in deciding on the profits earned during one period will be all divided or partly divided or not divided into retained earnings. According to Hidayat (2010), the lower dividends distributed by companies can provide opportunities for companies to invest. Meanwhile, according to Subchan and Sudarman (2011), dividend policy has a negative effect on the investment opportunity set that companies that distribute dividends have lower investment opportunities, because most of the proportion of their profits have been distributed to shareholders. Meanwhile, according to Erkaningrum (2009), the dividend payout ratio does not have a significant effect on investment decisions. However, researchers still want to see the linkages of dividend policy factors to investment decisions as well as to prove the truth of Modigliani and Miller's theory.

Debt policy is how much the use of debt for corporate investment decisions. If the company uses a number of debt is expected to help the company in implementing investment decisions. According to Subchan and Sudarman (2011), debt policy negatively affects the investment opportunity set. This indicates that growing companies prefer internal funds by using retained earnings to finance their investments. Meanwhile, according to Erkaningrum (2009), debt policy has no effect on corporate investment decisions. On the debt policy factor, researchers also want to prove the results of Modiglinani Miller's theory which argues that there is a negative relationship between dividend policy and debt policy on investment decisions. However, researchers expect that the use of debt in corporate investment decisions is expected to be able to make a significant contribution.

In the agency theory, cash flow (free cash flow) Jansen (Zulkarnain, 2009) said that cash flow (free cash flow) is excess cash funds after being used to fund all projects that provide positive net present value discounted at the relevant level of capital costs. The greater the existing cash flow, the greater the flexibility of management, the greater the conflict of interest over the use of the cash flow. According to Keown et al (2008), cash flow is the remaining cash flow from the activities of the company that pays all operating expenses and conducts its investment activities which are distributed to company creditors and investments. Cash flow is very important for the company, because cash flow is considered as the amount of cash available for the benefit of the company. For this reason, researchers enter the cash flow factor to prove Jansen's free cash flow agency theory of the company's investment decisions.

Working capital is investment in short-term assets or investment in current assets divided into two parts, namely gross working capital and net working capital. Gross working capital is the amount of current assets, and net working capital is the difference in the amount of current assets minus the amount of current liabilities. The use of the net working capital factor is expected to make a significant contribution to the company on the basis of considerations in investment decisions.

In manufacturing companies, there are three sectors on the IDX basic and chemical industrial sectors, various industrial sectors and the consumer goods industry sector. Researchers will conduct research on the consumer goods industry sector. In the consumer goods sector, it cannot be separated from its role in meeting the primary needs of human beings because there

are food and beverage, pharmaceutical, cosmetics and household needs and other sectors. As is well known, manufacturing companies are companies that sell their products, starting from the production process that is not cut off from the purchase of raw materials, the processing of materials to products that are ready for sale. So it can be seen that manufacturing companies need a source of funds that will be used on the company's fixed assets for the survival of the company. Researchers want to see how manufacturing companies, especially in the consumption branch sector are able to overcome all existing competition to continue to exist in business while being able to meet the needs of the Indonesian people in making an investment decision.

The Effect of Net Income on Company Investment Decisions.

The results of testing net income on investment decisions with a significance level of 0.567 greater than 0.05, the research hypothesis was rejected and it can be concluded that the net income variable partially has a positive and not significant effect on corporate investment decisions. Net income (net income) is the last nominal in the income statement for a net increase in capital. The use of the variable net income is expected to be able to contribute to decision making for company investment. As a general public view, if the company gets a high net profit then the company's ability to carry out investment activities will also be high.

But the research results obtained are not in line with what is expected that net income has a positive and not significant effect on corporate investment decisions. Qodriah (2012) argues that net income can be considered as a measure of company performance for a decision on company activity, but it is not in line with research results obtained that net income cannot be used as a basis for manufacturing company investment decision making. Some expert opinions say that net income is in line with dividends. However, it is not a guarantee that the results of the research will be as expected. If seen that the company's dividends come from net income.

Net profit is obtained after deducting net sales, operating expenses and tax expenses. Throughout 2017-2019, many manufacturing companies distribute dividends. This makes it possible that the net profit earned by the company has been divided into dividends, so that positive net income becomes insignificant to the company's investment decisions. Because based on financial theory (Irawan and Nurdhiana, 2011) that dividends or reinvestments do not have in common with profits after tax, that is, dividends are funds obtained from excess funds from the company's operating activities, so the amount of dividends is determined by the acquisition of net income.

Effect of Dividends on Company Investment Decisions.

Divident test results on corporate investment decisions using a significance level of 0.050 equal to 0.05, the research hypothesis was rejected and it can be concluded that the dividend variable is partially positive and significant effect on corporate investment decisions.

Dividend is the distribution of profits distributed to shareholders or reinvestment into the company. If the company distributes dividends, then the opportunity for the company to make investment decisions is minimal. Then the company that has dividends will reinvest into company capital to carry out company activities, one of which is the company's investment activities. This is very inversely compared to Miller Modigliani's theory, that dividend decisions

do not affect investment decisions. And when compared with some research results such as: Erkaningrum (2009), that dividends do not have a significant influence on investment decisions, while the results of Subchan and Sudarman (2012) argue that there is a negative influence between dividend policy on investment decisions. However, based on research results Hidayat (2010) that NFC companies that have high dividends have more opportunity to carry out investment decisions than FC companies that have low dividends. If it is associated with financial theories from Irawan and Nurdhiana (2011), it can be understood if dividends are distributed, it does not rule out the possibility of companies not being able to finance the company's investment activities, instead will further increase the value of the company that the company's finances do not have a problem.

The Effect of Debt on Company Investment Decisions.

Debt testing results on corporate investment decisions using a significance level of 0,000 less than 0.05, the research hypothesis is accepted and it can be concluded that the debt variable partially has a positive and significant effect on corporate investment decisions.

Debt is capital borrowed from creditors to finance company assets. The use of debt in this study is considered as additional capital for company activities, one of which is the company's investment activities. The results of this study support the Miller Modigliani theory (Atmaja, 2008), that debt has an influence on decisions company investment. Based on some previous research results, namely: Hidayat (2010) that companies with minimal use of debt have an easier opportunity to enter the stock market. While the results of Erkaningrum's research (2009) argue that there is no significant relationship between debt policy on investment decisions. However, the results obtained in this study are in line with the research of Subchan and Sudarman (2011) who argue that there is a positive and significant relationship between debt variables and decisions investation. Researchers see the use of debt can increase corporate investment activities so as to increase the value of the company in the future.

Effect of cash flow on corporate investment decisions.

The results of cash flow testing on corporate investment decisions using a significance level of 0.598 is greater than 0.05, the research hypothesis is rejected and it is concluded that the cash flow variable is partially positive and not significant to the company's investment decisions.

Cash flow is the amount of cash available after a company pays the burden of operating and investment activities of the company that can be distributed to the owner of the company and creditors. According to Jansen (Faisal 2004), that cash flow is an excess needed to fund all projects that have a net present value positive after dividing the dividend. the greater the existing cash flow, the greater the flexibility of the cash flow. If the company has a large amount of cash flow, it is expected to be able to support the company's investment decisions so that there is a positive influence between cash flows on the company's investment decisions. The results of research from Hidayat (2010), that NFC companies that have high cash flow can support the company's investment decisions compared to FC companies that has a low corporate cash flow. This is supported by the results of research Zulkarnain (2009) who argues that there is a significant relationship between cash flow on corporate investment decisions. While the research results obtained that the cash flow is positive but not significant on the company's investment decisions. for the period of 2017-2019, manufacturing companies

experienced a change in cash flow that dropped quite dramatically or even increased dramatically. It can be said that a drastic change in cash flow provides enough impact that the variable cash flow is not able to make a real contribution as long as the company's cash flow value is not stable. In accordance with the opinion of Ross (Wardani and Siregar, 2009), that cash flow is cash that can be distributed to shareholders who are not used for working capital or investment in fixed assets.

The Effect of Net Working Capital on Company Investment Decisions.

The results of testing net working capital (net working capital) on corporate investment decisions using a significance level of 0.138 greater than 0.05, the research hypothesis was rejected and concluded that the variable net working capital (net working capital) partially positive and not significant effect on the decision corporate investment.

Net working capital is a company investment measured by the difference between total current assets and total current debt. The greater the company's net working capital, the greater the company's opportunity to make investment decisions. But this does not match the expected results. The results of this study support the results of Nadhiroh's (2013) research that there is no significant relationship between the variables of net working capital and company investment decisions. According to Sutrisno (2001), working capital is considered as cash during one round of company operations. one round of company operations is the period of time needed to convert cash into inventories and receivables until it becomes cash back. It can be concluded that the net working capital of manufacturing companies does not make a real contribution to the company's investment decisions.