

Funding Decisions and Dividend Policies on Financial Performance.

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ABSTRACT: This study aims to analyze

- (1) The influence of investment decisions on financial performance and corporate value;
- (2) Funding decision on financial performance and corporate value;
- (3) Dividend policy on financial performance and corporate value; and
- (4) Financial performance of corporate value.

The study was conducted in the banking industry listed on the Indonesia Stock Exchange. The total companies listed in the period 2013 to 2015 are 40 companies. The data were analyzed using Path Analysis Model with the help of Analysis Moment of Structure (AMOS) program version 21.

The results showed (1) investment decisions and funding decisions have positive and insignificant impact on financial performance and have a positive and significant effect on firm value; (2) dividend policy has a positive and significant effect to financial performance and firm value; (3) financial performance has a positive and significant impact on the value of the company.

KEYWORDS: Investment decision, funding decision, dividend policy, financial performance, corporate value.

I. INTRODUCTION

In an emerging integrated world economy, the banking sector is playing a crucial role for the free flow of money and capital in areas of opportunities. Development of the global economy is possible only when such free flow is ensured by organizations like banks. The banks have to be managerially efficient and effective. There are various issues that influence the managerial efficiency and effectiveness. The developments in the banking sector in the post reforms phase transformed the Indian Banking Sector beyond expectations. The inclusion of Foreign Banks and New Private Sector Banks and changing role of Co-operative Banks, with their changing structure, introduction of advanced technology and asset port-folio, adapting to competitive strategies, management capabilities, customer focus is transforming the banking sector in India. This is posing new challenge to human resources of the banks to meet the same and perform better in India. In this regard training from time to time, as human resources is said to be the best resource or human capital is the real asset of any organisation, is of paramount importance.

II. LITERATURE SURVEY

2.1 Athar Mahmood (2014) The author is of the view that training has been an integral part of day-to-day life since times immemorial. Every new employee regardless of his previous training and experience needs to be introduced to the work-environment of his new job and taught how to perform specific tasks. Most organizations expect trainings to result in learning that translates into performance at actual workplace. It has been found that when training is performance management oriented, it helps in contributing to contribute to company's goal. The objective of the paper was an attempt to explain the interplay between training, learning and performance on one side while defining the parameters of performance on the other specifically for the banking sector. As a part of Methodology a comprehensive review of literature provided meaningful insights into performance dimensions in banking sector. They were identified and put in the context of environmental factors. Analysis & Findings& Conclusion - The paper was divided into three distinct parts. In the first part, the relationship between training, learning and performance had been studied using a theoretical model represented diagrammatically. Next, the factors impacting an individual's performance have

been broadly listed. Finally, performance dimensions in banking sector had been identified. The findings was that there was a positive correlation between the three with training leading to learning and considered successful only when desired performance is the same as actual performance. Ten variables determine performance in banking sector which operate within four environmental conditions forming the context. Also important are organization's vision, mission & strategies and the immediate supervisor's attitude.

III. RESEARCH METHODS

This research approach includes expanatorial research that explains the symptoms caused by an object of research. This study uses a quantitative and qualitative approach by combining time series and cross section data to obtain the value of the influence of investment decision factors, funding decisions, dividend policy, asset productivity and financial health on firm value. Data retrieval is carried out by survey method, namely by selecting samples among existing populations based on certain characteristics. the type of data used is qualitative and quantitative but the quantitative portion is more dominant in the form of numbers in the form of company financial statements. The data sources used in this study are secondary data obtained from external companies. The population in this study were all banking industries listed on the Indonesia Stock Exchange as many as 40 banks during the 2013-2015 period. Population, the number of banks sampled in this study only includes conventional banks, not including Islamic banks, the variables used in this study, are independent variables and dependent and variable intervening variables and the analysis method used is the Structural Equation Modeling analysis method (SEM) with the help of AMOS.

IV. RESULT AND ANALYSIS

Testing and empirical evidence of influence between variables of this study in addition to using descriptive statistical analysis is also used inferential statistical analysis of structural equation modeling. Analysis of Structural Equation Modeling (SEM) to analyze the feasibility of the structural model and analysis of the structural relationship model can be described as follows:

Feasibility Test Result of Structural Model

The feasibility test of the structural model is aimed to know the suitability of the data with the observation result which is built and estimated using standardized regression weights. The structural model built and estimated consists of direct and indirect relationships referring to the problem formulation and research objectives. The structural model is said to be in accordance with the observational data if Chi-square is small and non significant at $\alpha = 0.05$; probability value ≥ 0.05 ; $CMIN / DF \leq 2.00$; $RMSEA \leq 0.80$; $GFI, AGFI \geq 0.90$; and $TLI, CFI \geq 0.95$. The results of data processing in Appendix 6 show the criteria of conformity test model is done by comparing the cut-off value of the goodness of fit index obtained from the model estimation, that the model has not met the requirements criteria. The feasibility test results of the structural model through the path diagram are presented in the following figure:

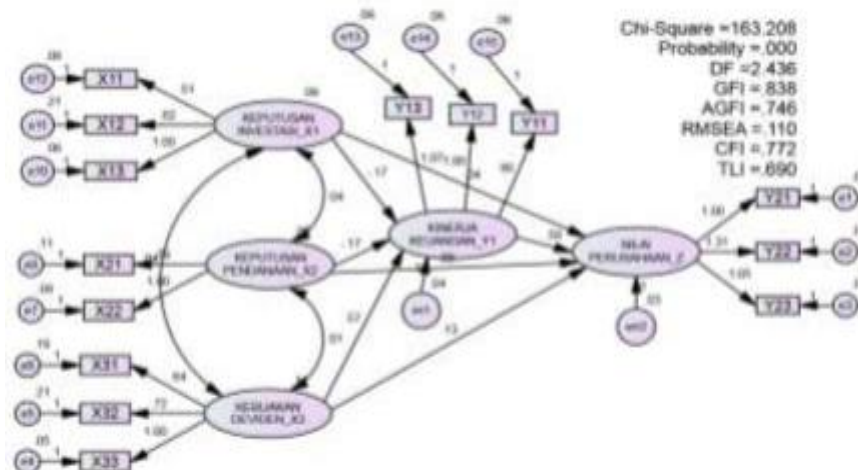


Figure 1. Initial Stage Test Results

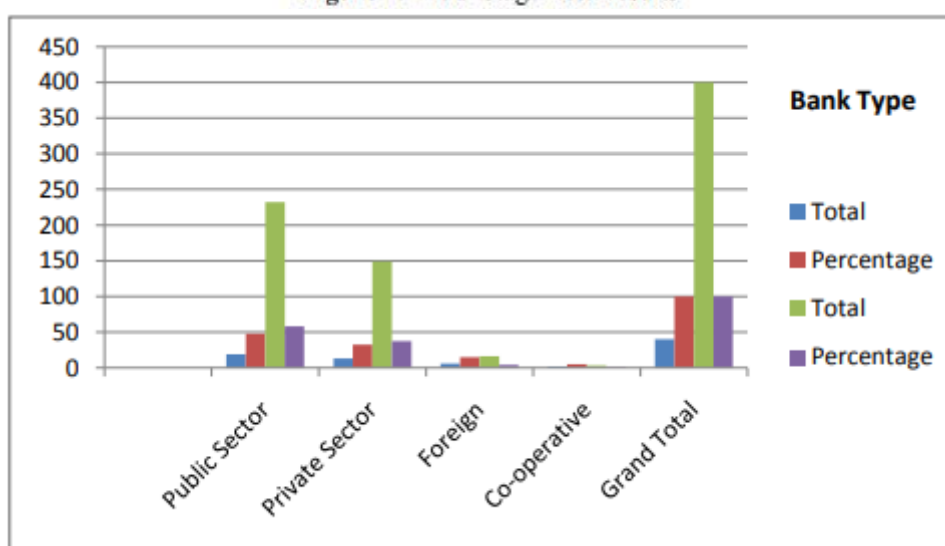


Table 4 – It is representing the Types of Banks. It shows that out of total 40 Banks which participated in the survey, 19 (47.50%) Public Sector Banks, 13 (32.50%) were Private Sector, 6 (15%) Foreign and 2 (5%) Cooperative Banks participated in the Survey.

VI. CONCLUSIONS AND SUGGESTIONS

A. Conclusions From the results of the analysis and the previous discussion in this study can be concluded as follows: 1. Investment decisions have a positive and insignificant effect on the financial performance of banks listed on the Indonesia Stock Exchange. 2. Funding decisions have a positive and insignificant effect on the financial performance of banks listed on the Indonesia Stock Exchange. 3. Dividend policies have a positive and significant effect on the financial performance of banks listed on the Indonesia Stock Exchange. 4. Investment decisions have a positive and significant effect on the value of banks listed on the Indonesia Stock Exchange. 5. Funding decisions affect positively and significantly the value of banking companies listed on the Indonesia Stock Exchange. 6. Dividend policy affects positively and significantly the value of banking companies listed on the Indonesia Stock Exchange. 7. Financial Performance has a positive and significant impact on the value of banking companies listed on the Indonesia Stock Exchange.

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