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Investment Decisions and The Factors That Affect Them

Keputusan Investasi Dan Faktor Yang Mempengaruhinya

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ABSTRACT

The This research aims to analyze the factors that influence company investment decisions. This research is quantitative research using statistics. The statistics used can be descriptive and inferential/inductive statistics. Data collection techniques use secondary data obtained from the publication of financial reports on mining companies on the Indonesia Stock Exchange. Data analysis techniques were carried out to determine the influence of the relationship between independent variables on the dependent variable using simple linear regression analysis. Data management is carried out with the help of application programs computer SPSS 22 for windows. The research results found that where the significance level is greater than 0.05, which means Ha is rejected, so it can be said that cash flow,leverage, liquidity, sales growth and company size do not influence simultaneously. Thus, the Ha hypothesis$_6$ *which states that cash flow,leverage, liquidity, sales growth and company size have no influence on investment decisions and are rejected.*

Keywords*: Investment Decisions, Cash Flow, Leverage, Liquidity, Sales Growth, Company Size*

ABSTRAK

Penelitian ini bertujuan untuk menganalisis faktor-faktor yang mempengaruhi keputusan investasi perusahaan. Penelitian ini merupakan penelitian kuantitatif dengan menggunakan statistik. Statistik yang digunakan dapat berupa statistik deskriptif dan inferensial/induktif Teknik pengumpulan data menggunakan data sekunder yang diperoleh dari hasil publikasi laporan keuangan pada perusahaan pertambangan di Bursa Efek Indonesia. Teknik analisis data dilakukan untuk mengetahui pengaruh hubungan antara variabel independen terhadap variabel dependen dengan menggunakan analisis regresi linier sederhana. Pengelolaan data dilakukan dengan bantuan program aplikasi *computer SPSS 22 for windows*. Hasil penelitian menemukan bahwa dimana tingkat signifikansi tersebut lebih besar dari 0,05 yang berarti Ha ditolak, sehingga dapat dikatakan bahwa arus kas, *leverage*, likuiditas, pertumbuhan penjualan dan ukuran perusahaan tidak berpengaruh secara simultan. Dengan demikian, hipotesis Ha_6 yang menyatakan bahwa arus kas, *leverage,* likuiditas, pertumbuhan penjualan dan ukuran perusahaan tidak berpengaruh terhadap keputusan investasi adalah ditolak.

Kata Kunci :Keputusan Investasi, Arus Kas, Leverage, Likuiditas, Pertumbuhan Penjualan, Ukuran Perusahaan

1. Introduction

In the era of economic growth after being hit by the increasingly growing Covid storm, company management is required to be able to maintain company stability and maintain its survival in increasingly fierce business competition. Investing in the stock

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exchange has become one of the methods that investors are increasingly choosing. The Indonesian Stock Exchange is a place or forum for stock players to trade or buy and sell any securities they own and want to buy. Complete, relevant, accurate and timely information is needed by investors in the capital market as an analytical tool for making investment decisions. A decision is a decision to allocate or place a certain amount of funds into a certain type of investment to generate future profits over a certain time period.

The business development and investment environment is full of global competition and change, making it important for investors to be able to assess and develop their abilities and intuition in making investment decisions. Investors must be able to filter and analyze various information and changes in various aspects of the case, as well as to predict the future. This decision making considers cash outflow *(cash outflow)* that the company will spend and cash inflows*(cash inflow)* that will be obtained is related to the investment taken.

Because making investment decisions is very difficult, research needs to be carried out to see the extent to which existing factors influence decision making, this research analyzes quantitatively through a literature study the factors that influence it.There are a number of factors that serve as benchmarks in making investment decisions, namely cash flow, leverage, liquidity, sales growth and company size.

The basis for investment decisions consists of the expected return level, risk level and the relationship between return and risk. The main reason people invest is to make a profit. In the context of investment management, the level of investment profit is called return. In the context of investment management, it is necessary to distinguish between expected returns and actual or realized returns. Expected return is the level of return that investors anticipate in the future. Meanwhile, the return that occurs or actual return is the level of return that investors have obtained in the past. It is natural for investors to expect the highest return from their investments. However, there is an important thing that must always be considered, namely how much risk the investment must bear. Generally, the greater the risk, the greater the expected level of return.

Investment Decision Process

The investment decision process is continuous (going process) or runs continuously until the best investment decision is reached. The stages in making investment decisions include:

1. Determining Investment Goals
   Each investor's investment goals are different depending on the investor who makes the decision. Usually investors prefer to invest in securities that are easy to trade or in credit distribution that is riskier but provides high return expectations.
2. Determining Investment Policy
   This stage begins with determining the asset allocation decision. This decision relates to the distribution of funds owned across various available asset classes such as shares, bonds, foreign securities.
3. Portfolio Strategy Selection

There are 2 (two) portfolio strategies, namely active portfolio strategy and passive portfolio strategy. Active portfolio strategy includes the activity of using available information and forecasting techniques actively to find better portfolio combinations. Passive portfolio strategies include information activities on the portfolio that are in line with the performance of market indices. Choose a portfolio strategy that is consistent with the previous two stages.

4. Asset Selection
   After the portfolio strategy is determined, then select the assets that will be included in the portfolio. This stage requires an evaluation of each security that you want to include in the portfolio. The purpose of selecting these assets is to look for an efficient portfolio combination, namely a portfolio that offers the highest expected return with a certain level of risk or conversely offers a certain expected return with the lowest level of risk.
5. Portfolio Performance Measurement and Evaluation
   If the performance measurement and evaluation stage has been carried out but the results are not good, the investment decision process is repeated from the first stage until the most optimal investment decision is reached.

Cash flow

The term free cash flow was first introduced by Jensen (1986, 1987). The cash flow report describes the cash inflow and outflow in detail from each operational, investment and financing activity in a certain period (Hery, 2018). Cash flow in this research is cash flow from operational activities. Cash Flow in this research is defined as operational cash flow with its measurements:

$$ME = \frac{Total\ Operating\ Cash\ Flow}{Current\ Liabilities}$$

Leverage

Leverage consists of operating leverage and financial leverage. If a company has higher fixed costs compared to variable costs, then the company is said to have*Operating Leverage*tall. Meanwhile, financial leverage is the use of funds with a fixed charge in the hope of increasing income per share. Leverage ratio is a ratio used to measure the extent to which company assets are financed with company debt (Kasmir, 2012). The leverage ratio is measured by the formula:

$$THE = \frac{Total\ Debt}{Total\ Equity}$$

Liquidity

Company liquidity is the company's ability to pay all short-term financial obligations at maturity using available current assets. The level of liquidity greatly influences investors in determining investment decisions. In connection with this opinion, (Mamduh, 2019) also added that liquidity is a situation where a company compares its current assets to the company's current liabilities.

From the description above, liquidity is measured using the formula:

$$Current\ Ratio = \frac{Current\ Assets}{Current\ Liability}$$

Sales Growth

Companies that have a high level of sales growth will require a lot of investment in various asset elements, both fixed assets and current assets. The increasingly rapid level of sales growth indicates that the company is undergoing expansion, this causes a large need for funds, for this reason the company uses various methods to meet these funding needs, including using debt. If internal cash is not sufficient to meet the funding needs, it encourages the company to use debt to meet the funding, because debt is a cheap financing alternative, so there is a very close relationship between sales growth and the company's debt.

$$PP = \frac{S1 - SO}{SO}$$

Company Size

Company size describes the size of a company. Company size generally influences investors' judgment in making investment decisions. Company size is a measure of the size of the company by looking at the amount of equity value, sales value or total value of assets owned by the company.

$$Size = Ln\ (Total\ Units)$$

2. Methods

The research approach used is a quantitative analytical approach. According to Sugiyono (2017:31) "In quantitative research data analysis uses statistics. in the form of secondary sources, that researchers obtain material from second hand and not original data from first hand in the field. The data used in this research uses secondary data obtained from the publication of financial reports on mining companies on the Indonesia Stock Exchange. Based on its nature, the type of data used in this research is quantitative data.

In this research, the method used to analyze the data is multiple regression analysis by first testing the variables of company characteristics by carrying out classic assumption tests consisting of normality, multicollinearity, heteroscedasticity and autocorrelation tests

3. Results And Discussion

The independent variables used in this research are cash flow,*leverage*, liquidity, sales growth, company size, and the dependent variable used is investment decisions. The classical assumption tests for each model include the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. Tests that can be used to see whether the data is normally distributed or not are by using histograms and graphs*normal probability plot* (P-Plot). The following are the results of the normality test using graphic analysis:

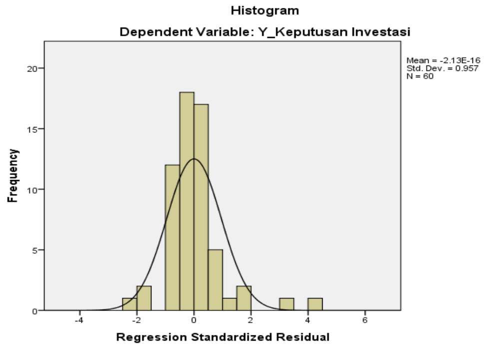

Figure 1. Histogram Graph Normality Test Results
Source: Processed data, 2020

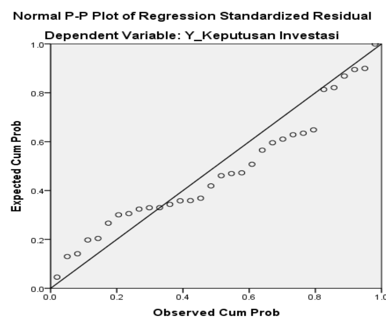

Figure 2. Graphic Normality Test Results*Normal Probability Plot* (P-Plot)
Source: Processed data, 2020

Based on the results of the normality test in the image above, it shows that the histogram graph depicts a normal data distribution pattern, this is proven in the almost perfect bell-shaped image. In the picture shows that graph*normal probability plot* (P-Plot), data spreads around the diagonal line and follows the direction of the diagonal line. So it can be concluded that the sample data in this study is normally distributed or meets the assumptions of normality. Apart from using graphic analysis, normality tests are also carried out using statistical analysis, namely tests*Kolmogorov-Smirnov* (K-S). The following are the results of the normality test using the test*Kolmogorov-Smirnov*(K-S):

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		60
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.12535458
Most Extreme Differences	Absolute	.151
	Positive	.151
	Negative	-.097

Test Statistic	.151
Asymp. Sig. (2-tailed)	.80[c]
a. Test distribution is Normal.	
b. Calculated from data.	
c. Lilliefors Significance Correction	

Based on the table above, if the significance value exceeds 0.05 then the data is normally distributed. The results of the Kolmogorov Smirnov test in table 4.2 show that the data is normally distributed by looking at the asymp sig (2-tailed) value which is 0.80 and is greater than the significance value, namely 0.05. The autocorrelation test aims to test whether in the regression model there is a correlation between confounding errors in period t and errors in period t-1 (Ghozali, 2019).

The Effect of Cash Flow on Investment Decisions

Ha_1 : Cash flow influences investment decisions

The cash flow variable has a significant level of 0.013. This can be seen from the significance being smaller than 0.05 (0.013 < 0.05). The beta value produced in this research was positive at 0.375. This shows that cash flow has a positive influence on investment decisions, so Ha_1 in this study was accepted.

The results of this research are in line with the research results of Situmorang (2018), Hidayati (2018) and Difoasih (2017) which stated that cash flow has a significant positive effect on investment decisions. The cash flow report is an important indicator in providing an overview of a company's sustainability. This is because the cash flow report contains the company's cash income and expenditure as a whole (Wirianto and Salim, 2019).

The Effect of Leverage on Investment Decisions

Ha_2: Leverage influences investment decisions

Variable*leverage* has a significant level of 0.168. The significance is greater than 0.05 (0.168 > 0.05) which means Ha is rejected, so it can be said that*leverage* has no effect on investment decisions. So the hypothesis (Ha_2) in this study was rejected. The beta value produced in this research was negative at -0.225.

The results of this research are in line with research by Salim and Wirianto (2019), Linda and Jummulyanti (2018) and Senjani (2018) that there is no significant relationship between*leverage* on investment decisions.

The Effect of Liquidity on Investment Decisions

Ha_3: Liquidity influences investment decisions

The liquidity variable has a significant level of 0.899. This significance is greater than 0.05 (0.899 > 0.05), which means that Ha is rejected, so it can be said that liquidity has no effect on investment decisions. So the hypothesis (Ha_3) rejected. The beta value produced in this research was -0.020.

This is in line with research by Yuningsih and Yunita (2020) that there is no significant relationship between liquidity and investment decisions. This research contradicts research by Salim and Wirianto (2019) whose results show that liquidity has a significant effect on investment decisions.

The Effect of Sales Growth on Investment Decisions

Ha_4: Sales growth influences investment decisions

The sales growth variable has a significant level of 0.936. This significance is greater than 0.05 (0.936 > 0.05), which means that Ha is rejected, so it can be said that sales growth has no effect on investment decisions. So the hypothesis (Ha_4) rejected. The beta value produced in this research was 0.010.

This research is in line with research by Nguyen and Dong (2013) that sales growth does not have a significant effect on investment decisions. This research contradicts research by Chen (2017) whose results show that sales growth has a significant effect on investment decisions.

The Influence of Company Size on Investment Decisions

Ha_5: Company size influences investment decisions

The company size variable has a significant level of 0.404. This significance is greater than 0.05 (0.404 > 0.05), which means that Ha is rejected, so it can be said that company size has no significant effect on investment decisions. So hypothesis Ha_5 rejected. The beta value produced in this research was -0.114.

This research is in line with research by Situmorang (2018) that there is no significant influence between company size on investment decisions and contradicts research by Tohari and Sasongko (2016) whose results show company size has a significant influence on investment decisions.

The Influence of Cash Flow, Leverage, Liquidity, Sales Growth, and Company Size on Investment Decisions

Ha_6: The influence of cash flow, leverage, liquidity, sales growth, and company size on investment decisions

Table 4.8 which has been presented above shows that the results of the F statistical test have a significance level of 0.233. Where the significance level is greater than 0.05, which means Ha is rejected, so it can be said that cash flow,*leverage*, liquidity, sales growth and company size do not influence simultaneously. Thus, the Ha hypothesis$_6$ which states that cash flow,*leverage,* liquidity, sales growth and company size have no influence on investment decisions and are rejected.

Discussion

Individual factors contribute to investment decision making. various individual factors that contribute to investment decision making. One of the factors that influences investment decision making in financial education. Financial education not only improves financial information but also increases financial knowledge. Individuals who have good financial education will increase their probability of making investments.

In the previous explanation, individual investment decision factors can be divided into internal and external factors, because investment decisions occur by looking at different points of view in looking at investment decisions. External factors are factors that belong to investment instruments and internal factors are factors that originate from within the individual. The results of research and analysis of many investment decisions are influenced by external factors of investors. There are four external factors that contribute to financial decisions when it comes to stock investment. These factors are company shares, expected stock split / capital increase / bonus, dividend policy, and expected corporate earnings. Apart from that, there is only one internal factor that according to him has a contribution to investment decisions, namely to get rich-quick. However, he believes that financial education has a positive relationship with investment decision making.

4. Conclusion

Based on the results of data analysis and data testing in this research, the following conclusions can be drawn:

1. The cash flow variable has a positive effect of 0.375 and a significant effect of (0.013 < 0.05) on investment decisions.
2. Variable*leverage* has a negative effect of -0.225 and is not significant (0.168 > 0.05) on investment decisions.
3. The liquidity variable has a negative effect of -0.020 and is not significant (0.899 > 0.05) on investment decisions.
4. The sales growth variable has a positive effect of 0.010 and is not significant (0.936 > 0.05) on investment decisions.
5. The company size variable has a negative effect of -0.114 and is not significant (0.404 < 0.05) on investment decisions.
6. Cash flow variables,*leverage,* liquidity, sales growth and company size have a positive effect of 1.416 and not significant (0.233 > 0.05) on investment decisions

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