Maximizing Company Value Based On Intengible Assets, Investment Opportunity Set, Financial Performance and Dividend Policy

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Abstract

Productivity and employment quality are greatly enhanced by the Indonesian manufacturing sector. Positive developments by industry players both domestically and abroad that realize investment in the Indonesian manufacturing sector. Proven in the last decade there has been a sharp spike in investment value. This means that the value of manufacturing companies is in a safe position. Intangible assets, investment opportunities, financial performance, and dividend policy can increase the value of the company. Intangible assets, investment opportunity sets, financial performance, and dividend policies are some of the factors that this study aims to ascertain and examine in relation to the value of manufacturing companies in the basic and chemical industry sectors that are listed on the Indonesia Stock Exchange (IDX) for the years 2020–2022. Based on purposive sampling or non-random sample approaches, the population consists of 83 manufacturing companies in the basic and chemical industrial sectors, 45 of which use multiple linear regression data analysis methodologies, by meeting the classical assumption test. According to the study's findings, firm value is somewhat influenced by intangible assets, investment opportunity sets, and financial performance, but not by dividend policy.

Keyword: Dividend Policy, Financial Performance, Firm Value, Intangible Asset, Investment Opportunity Set.

INTRODUCTION

Manufacturing is a strong and mainstay of economic growth in Indonesia, proven by its contribution to GDP (Gross Domestic Product) reaching 16.30% in the second quarter of 2023. Manufacturing products have increased the added value of exports and given positive signals for 43 consecutive months, increasing in surplus to USD 2.41 billion or IDR 37.9 trillion in November 2023. Productivity and employment quality are greatly enhanced by the Indonesian manufacturing sector. To optimize the industry, supportive regulations, broad business opportunities, availability of resources, a healthy investment climate, and skilled human resources are needed. The growth of industrialization in Indonesia is driven by several key factors such as the availability of land, labor, capital, technology, and adequate connections.

Positive developments are responded by domestic and foreign industry players who realize investments in the Indonesian manufacturing sector. In the last decade there has been a sharp spike in investment value, especially in the non-oil and gas manufacturing sector, namely from IDR 188.79 trillion 2014 to IDR 565.25 trillion 2023. It's means that industrial businesses still occupy a safe position for investors who invest in them. Soaring investments in 10 years show that the value of manufacturing companies is worth considering for its security.

According to Wijaya & Suganda (2020) Company value is still interesting and important to study because it can be seen through the performance indicated by stock prices formed by demand or supply in the capital market. Because it has valuable information, financial reports are a reliable tool for investors to make decisions and allow them to assess the company. In addition, financial reports function as an intermediary to attract foreign investors to reinvest, especially in manufacturing companies in Indonesia (Wijaya & Suganda, 2020).

According to Devi & Amanah (2021) Company value, which is how investors view the success of a company based on its performance assessment, is usually associated with stock pricesElevated stock values typically augment the company's worth, so broadening investors' assessments of the company's prospects beyond its present performance. the ratio that is used to determine the value of the company using the price to book value (PBV) proxy. It is well recognized that a firm's PBV value indicates the level of prosperity its shareholders will experience, indicating that the company can meet its objectives (Devi & Amanah, 2021).

Company value can be supported by contributions to intangible assets, investment opportunities, financial performance and dividend policies. Contributions to intangible assets are stated as intangible assets. Intangible assets can affect company value through intangible assets purchased or obtained in the form of exclusive rights from the research and development division that can increase the company's value. According to Wijaya & Suganda (2020) intangible assets are monetary assets in the form of non-physical. The original characteristic of intangible assets is that it is likely that an entity can gain economic benefits in the future from the results of assets and acquisition costs that can be known logically and are not physically tangible with their useful life, therefore intangible assets have an important role in realizing the goals and strategies for determining market value (Wijaya & Suganda, 2020).

The intangible assets of a company in this study can be known through measurements using market capitalization methods (MCM) or commonly called the market capitalization method, the market price of a company's shares multiplied by the total number of outstanding shares less the equity can be used to determine this technique. Based on several previous studies, it shows the influence of intangible assets on company value even though they are carried out in different sector companies, including Fikri, et al. (2017) who conducted research on plantation sector manufacturing companies (Fikri, Fadilah, & Nurcholisah, 2017). Fauzy, et al. (2019) focused on consumer sector manufacturing companies (Fauzy et al., 2019), Wulandari, et al. (2020) prioritized manufacturing companies in general (Wulandari, Rinofah, & Mujino, 2020) and Gymnastiar, et al. (2023) conducted research on real estate property companies (Gymnastiar, Fauzi, & Ramadhan, 2023) agreed that the value of a corporation is impacted by intangible assets. An increase in the Company's worth is also influenced by the investment opportunity set.

Investment opportunity set is one of the perceptions of capital market players in the investment world where a company's expenditure for reinvestment is proof of the seriousness of the company's management in developing its business. IOS is therefore a supportive factor that may have an impact on the company's worth.

According to Fauzy, et al. (2019) there is an opportunity or investment opportunity for a company which is a combination of assets that have been owned with investment bonds for the future as a tool to meet the company's goals by having an opportunity set for investment (Fauzy et al., 2019). An investor will put some of his money into the chosen firm in the hopes of making a profit since the more money the company makes, the more money the investors will make, increasing the company's worth. IOS measurement serves as a stand-in for the price earning ratio (PER) in this investigation. because with this calculation it can be seen how expensive or cheap the shares are. Although the research focuses on manufacturing organizations across several industries, it is based on multiple prior studies that demonstrate the impact of IOS on corporate value, including Wijaya & Suganda (2020) focusing on real estate companies (Wijaya & Suganda, 2020), Hidayah (2015) is more interested in researching real estate companies as well (Hidayah, 2015) and Wardani & Machdar (2023) prioritizing manufacturing companies (Wardani & Machdar, 2023) which states that IOS also has an influence on company value. Another factor that also supports company value is the achievement of quality profits.

A high profit quality in financial statements is evidence that financial statements affect the extent to which a company grows. As a result, it is thought that financial success can affect the company's perceived worth to potential investors. According to Devi & Amanah (2021), Financial performance, which is typically defined as a comparison of income and expenses, is the performance of a business that is created from the outcomes of multiple performance decisions made efficiently (Devi & Amanah, 2021). A company's accomplishments from a variety of operations are summed up in its financial success. In order to quantify the company's ability to raise the effectiveness of its profits, the profitability ratio, or proxy return on assets (ROA), is used in the financial performance calculation. The impact of financial performance on firm value in a number of companies listed on the Indonesia Stock Exchange has been demonstrated by a number of prior research. Mudjijah, et al. (2019) focus more on automotive companies (Mudjijah, Khalid, & Astuti, 2019). Devi & Amanah (2021) focused on researching property and real estate companies (Devi & Amanah, 2021), Rafi, et al. (2021) were interested in conducting observations in manufacturing companies globally (Rafi, Nopiyanti, & Mashuri, 2021) and Putri & Warsitasari (2024) also conducted research on manufacturing companies in general (Putri & Warsitasari, 2024) agreed that the results of research on financial performance affect the value of the company. The company's worth can be raised by concentrating not just on making profits but also on giving shareholders their money back. The dividend policy, one of the management section's provisions, is expressed in terms of the share price of the company in question and attempts to take into account how to divide or retain a portion of the profit for the benefit of all investors and the company's future growth in order to maximize the value of the business.

According to Jariah (2016) dividend policy is a strategy about the allocation of a company's profit after it becomes the right of the shareholder (Jariah, 2016). The profit can be distributed in cash or shares (stock dividend). Measurement of dividend policy through the proxy dividend payout ratio (DPR), because by using this measurement it can be known that the results of the balance of dividend transfers and profits for shareholders. Drawing from prior studies examining the impact of financial performance on the value of several manufacturing firms, research from Maulidiana, et al. (2019) performed a study on consumer products manufacturing businesses (Maulidiana, Paramita, & Rizal, 2019). Further research from Rafi, et al. (2021) observed manufacturing companies as a whole (Rafi et al., 2021), Dianti, et al. (2022) also focused on manufacturing companies not in a particular sector (Dianti, Putra, & Manuari, 2022) and Putri & Warsitasari (2024) also conducted research on manufacturing companies in general (Putri & Warsitasari, 2024) agreed that dividend policy also affects company value.

The issue that needs to be addressed is whether the value of manufacturing enterprises is somewhat influenced by intangible assets, the pool of available investment opportunities, financial performance, and dividend policy. So the hypotheses to be raised are as follows:
H1: Intangible assets have an impact on a company's worth;
H2: investment opportunity set have an impact on a company's worth;
H3: financial performance have an impact on a company's worth; and
H4: dividend policy have an impact on a company's worth.

METHODS

A quantitative research category with associative linkages is the kind of study that is employed. Secondary data is the kind of data. The sample, which consists of 45 enterprises, is based on purposive sampling, often known as non-random sampling, and employs multiple linear regression data analysis techniques. The population comprises 83 manufacturing companies in the basic and chemical industrial sector. The research model is as follows.
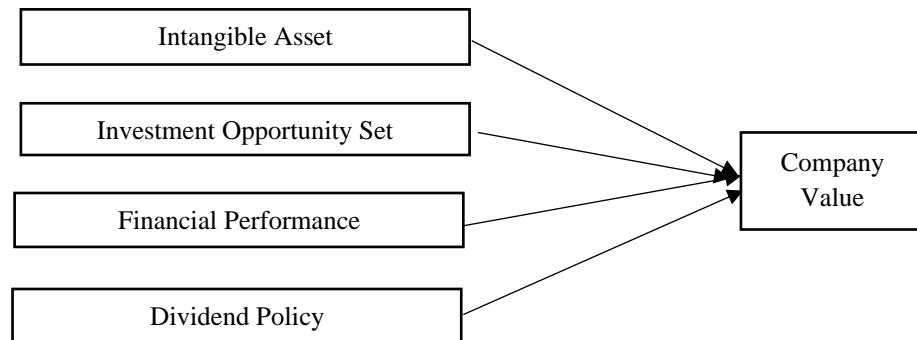
Figure 1. The Research Model

Table 1. Research Instruments

No	Variables	Indicators	Instruments
1.	*Intangible Asset* (X1)	*Stock Price* *Number of Shares Outstanding* *Total Equitas*	IA = (Stock price x Number of shares outstanding) – Total Equitas
2.	*Investment Opportunity Set* (X2)	*Price Earning Ratio* (PER) *Closing Price*	$PER = \dfrac{Earning\ Per\ Share}{closing\ price}$
3.	Financial Performance (X3)	Earning After Tax (EAT) Total Assets	$ROA = \dfrac{EAT}{Total\ Assets}$
4.	Dividend Policy (X4)	*Dividend Cash* *EAT*	$DPR = \dfrac{Dividend\ Cash}{EAT}$
5.	Company Value (Y)	*Closing Price* book value of shares	$PBV = \dfrac{Closing\ Price}{book\ value\ of\ shares}$

RESULTS AND DISCUSSION

Data Analysis Result

Table 2. Descriptive Statistics

	Minimum	Maximum	Mean	Std. Deviation
Intengible Assets	22,780	32,740	28,309	2,216
Investment Opportunity Set	-8,030	0,530	-0,024	0,735
Financial Performance	-1,050	36,290	0,678	4,453
Dividend Policy	-19,690	16,090	0,167	2,882
Company Value	-3,910	4,320	0,352	1,469

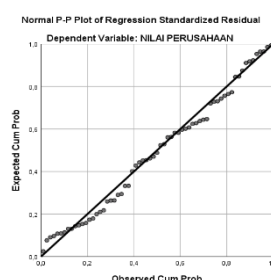Source: Data Processing, SPSS 2024

Normality Test

Figure 2. Test of Normality

The test results indicate that the data is located at straight line points or around the line in the form of plots or tiny dots. We can conclude that the data is normally distributed and has met the requirements.

Multikolinearity Test

Multicollinearity testing is based on tolerance and VIF values, when all variables have a tolerance number greater than 0.1 and VIF lower than 10 then the data is declared free of multicollinearity. The test results of each research variable are as follows:

Table 3. Recap Multicolinearity Test

	Tolerance	VIF
Intengible Assets	0,893	1,119
Investment Opportunity Set	0,880	1,136
Financial Performance	0,982	1,019
Dividend Policy	0,981	1,020

Source: data processing, SPSS 2024

It is possible to conclude that multicollinearity does not occur in all data because all research variables exhibit tolerance numbers greater than 0.1 and lower than 10.
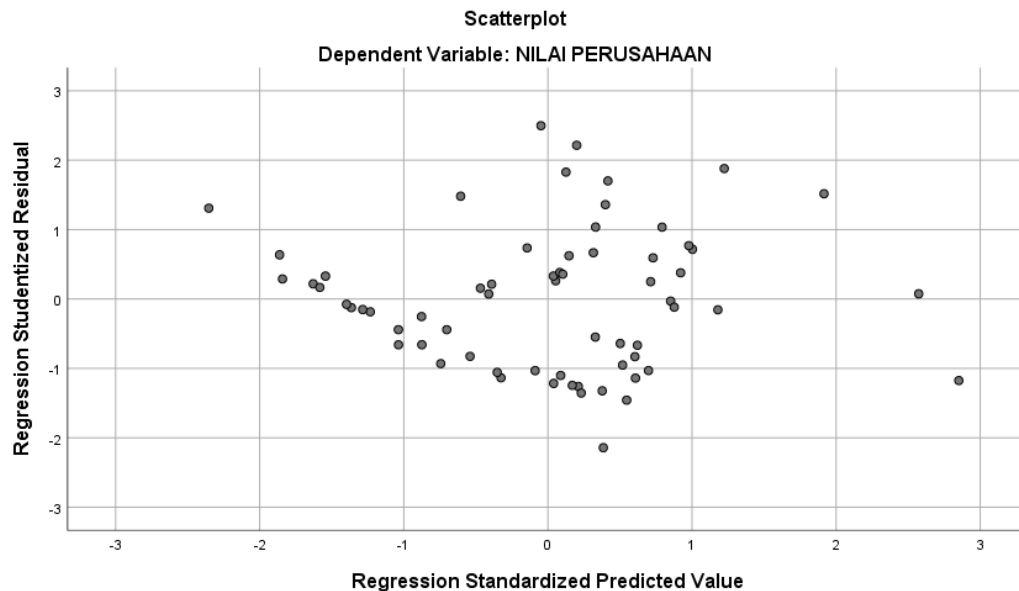
Heteroskecasticity Test

Figure 3. Heteroscedasticity Test

If the data is spread out and does not form a certain pattern, it is stated as data not detected heteroscedasticity. Based on the test results showing that the points of a data are spread out below and above or around the number 0, the points are not collected at the bottom or top only, the points of the distribution do not form a wave image that expands and then thins out. This explanation leads to the knowledge and conclusion that heteroscedasticity does not occur in the research data.

Autocorrelation Test

When using the SPSS tool to get research data as a basis for decision-making, autocorrelation testers In the event that the D-W value falls between -2 and 2, autocorrelation is absent. The Durbin-Watson value of 0.962, which falls between -2 and 2, indicates that there is no autocorrelation in the research data, which is consistent with the autocorrelation test results. Therefore, the study can draw this conclusion.

The regression equation in this study
NP = -3,972 + 0,198 IA - 9,368 IOS + 0,067 KK + 0,062 KD + 1,378
Information:
NP   = Company Value
IA   = Intangible Assets
IOS   = Investment Opportunity Set
KK   = Financial Performance
KD   = Dividend Policy
1,378   = error

Model feasibility test
The model is deemed viable if the estimated F value> F table and the sign value α <0.05, which is the basis for model testing. The test results show the calculated F value = 18.799 with sign α = 0.000, so it can be ascertained that the model is feasible to continue.

Based on the coefficient of determination (R^2) shows the result of 0.746. The magnitude of the coefficient of determination (R^2) between 0 to 1, it can be seen that 0.076 <1. This demonstrates that the impact of IOS, financial performance, dividend policy, and intangible assets on company value accounts for 74% of the total, with the remaining 26% coming from factors not covered in this study, such as funding choices, liquidity ratios, activities, etc.

Test of Hypothesis
Hypothesis 1
t value 4.135 > t table 1.998; sign α 0.000 < 0.05, H1 is accepted which means that intangible assets have an effect on company value.
Hypothesis 2
t count shows the number -4.150 > 1.998, with a sign α 0.000 < 0.05, H2 is accepted, indicating that the company's worth is impacted by the investment opportunities available.
Hypothesis 3
 t-count figure is 4.043 > 1.998; sign α 0.000 < 0.05, H3 is accepted, meaning that financial performance has an effect on company value
Hypothesis 4
t count 1.544 < 1.998, sign α 0.128 > 0.05, H4 is rejected, which means that dividend policy has no effect on company worth.

Discussion
Influence Intangible Assets on Company Value
The first hypothesis's test findings demonstrate the impact of intangible assets and their positive relationship with firm value. A positive association indicates that a company's value will rise in tandem with the value of its intangible assets. A corporation's large intangible assets are indicative of a positive or excellent company image. This means that the market capitalization method of stock prices, the number of outstanding shares, and total equity can all affect the value of the company when calculating the value of intangible assets of manufacturing companies, specifically in the basic and chemical industry sectors in 2020–2022. This is based on the idea that intangible assets are important for manufacturing companies for a number of reasons, one of which is that they have a hidden value. This means that the value of intangible assets is not always reflected in the financial statements of the company; instead, the value of these assets can be found in investments, new technology, employee knowledge and skills, and innovation, all of which are thought to be able to determine success and raise the value of the company. Due to the fact that intangible assets can add value to a company's wealth capital, investors see them favorably and may infer that the business will have attractive performance chances in the future, which could lead to an increase in the share price.

Influence Investment Opportunity Set on Company Value
The second hypothesis test's findings demonstrate that IOS has an impact and is inversely correlated with firm value. The findings of the performed regression analysis, which are negative, show this negative link. Company worth can be influenced by the IOS value of manufacturing enterprises in the basic and chemical industry sectors in 2020–2022, as determined by measuring the price earning ratio (PER) proxy. A company's IOS can show future performance opportunities

by knowing the existence of profit growth that is believed to come from the achievement of a company's investment activities in the present. It is thought that the small sum of money required for the investment will benefit the business in the long run and raise its overall value. It is widely held that the significance of current and present investment prospects for organizations lies in their ability to demonstrate future goal achievement. Investment is considered a measurement of business growth in the current state, it has become possible that business growth is an opportunity for investment which is very profitable. These investment chances are associated with choices that are anticipated to yield returns and boost the company's worth over time. The better the company's performance prospects are taken into consideration, the more capital that is issued as an investment.

Influence Financial Performance on Company Value

The third hypothesis was tested, and the findings showed that firm value is positively correlated with financial performance. In the event that there is a positive correlation between financial performance as measured by high profits or benefits and the company's value growth. The value of a manufacturing business might be impacted by its financial performance in the basic and chemical industrial sectors between 2020 and 2022, as determined by the return on assets (ROA) proxy. Prospective investors in determining their investment in their shares are by paying attention to the financial performance of a company. The outcome of a company's financial efforts as determined by its capacity to turn a profit is its financial performance. Companies are said to need to improve and sustain their financial performance in order for investors to continue wanting to buy their shares. Investors constantly utilize financial reports as information, standards, and recommendations when conducting stock buying and selling activities. The financial report itself is a representation of financial performance. Financial performance is still used by investors as a gauge for their investments today. If the company's financial performance improves, this will impact the company's value and potentially lead to an increase. On the other hand, if the company's financial performance declines, this may also have an impact on the company's value declining. An assessment of a business's financial health can be obtained by looking at how well it performs under appropriate and competent management. This can lead to higher earnings, which in turn can draw in investors and increase the value of the business.

Effect Dividend Policy on Company Value

The fourth hypothesis test findings are favorably correlated with company value and show no effect. The average dividend policy rise does not correspondingly raise the worth of the company, as may be shown. The dividend payout ratio (DPR), which serves as a stand-in for the dividend policy of manufacturing companies in the basic and chemical industrial sectors in 2020–2022, has no effect on the value of the company. Dividend policy is a management decision of a company in distributing dividends or retaining them as profits or retained earnings. A dividend policy that indicates the company's value decreases with increasing value. It is not always the case that larger dividends will likewise be distributed. It's possible that businesses with significant profits reinvest their earnings in the form of more firm capital rather than always paying out dividends. According to the theory of Modigliani & Miller (1958), dividends do not affect company value for several reasons, such as a perfect capital market, earning power mostly from company assets, dividends distributed are an obligation for the company so that there are high taxes for investors, shareholders prefer profits from capital gains. This can be attributed to the fact that realizing capital gains takes less time than paying dividends, which might impact the company's perceived worth by shareholders over a longer period of time.

CONCLUSION

The tests and discussions above have yielded the following conclusions: the company's value is determined solely by the intangible asset, IOS, and financial performance variables; the dividend policy variable has no bearing on the company's value.

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