



The Influence of Financial Decisions on Value of the Indonesian Railroad Services Company Persero Bandung

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Abstrak

Financial management is one area that can be used to increase company value through policies taken. The desired goals from the final research results related to the influence of financial management policies in proxies of investment, financing and dividend policies on firm value can be determined as follows: (a) To determine the effect of the implementation of investment policies carried out by the management of Railroad Services Company Persero Bandung on increasing company value during 2019-2021 and (b) to determine the effect of the implementation of the funding policy implemented by the management of Railroad Services Company Persero Bandung on increasing company value during 2019-2021. The results of this research, namely the results of this study, can be concluded that: (a) Pricing Earning Share, Debt to Equity Ratio and Dividend Pay Out Ratio have no significant effect on firm value. (b) The hypothesis says that the Pricing Earning Share, Debt to Equity Ratio and Dividend Pay Out Ratio have no significant effect on the value of the rejected company; (c) Variations in book value per share, large capital to guarantee debt and dividend distribution policies do not affect how much the value of Railroad Services Company Persero Bandung through Price to Book Value.

1. Introduction

A company has a goal to prosper the owner, in this case the shareholders, by increasing the value of the company. Managers can meet shareholder expectations for superior performance by creating strategies that are valuable and difficult for competitors to imitate. Financial management is one area that can be used to increase the value of the company through the policies taken (Putra & Badjra, 2015). The three main policies in financial management are funding policies, investment policies and dividend policies. Capital budgeting decisions or investment decisions are decisions to invest in tangible or intangible assets (Mubarokah & Indah, 2021).

Investment decisions begin with the identification of investment opportunities, which are often referred to as capital investment projects. The financial manager must help the company identify promising projects and decide how much to invest in the project (Meivinia, 2018).

Investment decisions are also known as capital budgeting decisions, because most companies prepare an annual budget consisting of authorized capital investments. Funding decisions are related to the form and amount of investment funding of a company (Hennessy, C. A dan Whited, T. M. 2017). When a company needs to raise funds, it can invite investors to invest cash in exchange for a share of future profits, or promise to repay investors cash plus a fixed interest rate (Pamungkas & Puspaningsih, 2013). Funding and investment decisions (both long term and short term) are of course interrelated.

The amount of investment mutually determines the amount of funding that must be obtained, and investors who contribute funds now expect a return on investment in the future. Therefore, the investment made by the company at this time must generate returns in the future to be paid to investors (Aswir & Misbah, 2018). Dividend policy is generally defined as a decision regarding the payment of company profits in the form of dividends to shareholders (Murtini, U. 2008). Dividend policy is a financial decision, namely by considering whether paying dividends will increase shareholder wealth. The determinant of dividend policy is influenced by many factors, including the proportion of share ownership, company size, company age and company profitability (Muhammad Syahputra, 2019). Decision making about dividends will affect stock market prices and will ultimately affect the value of the company (Murtini, 2008).

The three financial management policies cannot work partially, they are interrelated. The amount of investment that will be financed by the company will affect the funds that must be provided to fund this matter. If these three policies can be carried out properly, the maximum value of the company can be achieved. The way that can be used to measure the value of the company is using free cash flow / Free Cash Floy (Irwanto & Anggono, 2019). Free cash flow is cash flow that is actually available for distribution to all investors (shareholders and debtors) after the company has invested in fixed assets, new products and working capital needed to maintain ongoing operations (Rahmawati, I dan Akram. 2007). The performance of financial management in making financial decisions is reflected by free cash flow. The value of the company can also be reflected in the price of its shares, but the value of the company, which is assessed by the price of the shares in it, does not yet reflect the true value of the company, because changes in share prices are not always influenced by company performance, it could be caused by other factors that are not at all related. Such as, social political conditions, changes in government policies, social security conditions, changes in exchange rates, interest rates, and others (Fabiana Meijon Fadul, 2019).

If the company has a large investment opportunity, the company requires additional funds to fund the investment opportunity that will be selected. The greater the investment opportunity that will be realized (selected), the greater the need for funds. And vice versa, the fewer investment opportunities to be selected, the less the need for funds will also be (Wibowo et al., 2016). The three financial decisions are general conditions that are commonly faced by all companies, inseparable, especially companies that transport goods and services. Transportation service

companies have a variety and types, both in land, sea, river, lake and air services. One of them is also the Indonesian Railroad service company.

Railway activities require large investments, optimal funding and favors that must be met by shareholders, and determine the value of the company's shares. The desired goals from the final research results related to the influence of financial management policies in proxies of investment, funding and dividend policies on firm value can be described as follows: (a) To determine the effect of the implementation of investment policies carried out by the management of Railroad Services Company Persero Bandung on increasing company value during 2019-2021. and (b) to determine the effect of the implementation of the funding policy implemented by the management of Railroad Services Company Persero Bandung on increasing company value during 2019-2021.

2. Methods

The objects studied in this study are companies engaged in the transportation services sector for Indonesian Railways services. Railroad Services Company Persero Bandung is an Indonesian state-owned enterprise that provides rail transportation services (Sumanto et al., 2022). PT services Indonesian Railways includes both passenger and freight transportation. The head office is at Jl. Freedom Pioneers. The research phase begins with activity (1). Stages of observation and data collection, (2). Stages of data processing and, (3). Stages of preparation of the research report. The research phase takes approximately 3 (three) months (Morrow et al., 2007).

The observation stage is carried out by making observations about railways through information on the official website of Railroad Services Company Persero Bandung, the advanced stages of observation data are outlined in a research proposal, then the research proposal is presented in a seminar, the next process is the stage of data collection in the field (Ali, 2021). The final stage is to make a results report. The types of data needed in this research are as follows: (Qualitative data) is data in the form of a collection of facts in the form of words, sentences, characteristics, circumstances, symbols related to the history of Indonesian railways, financial policies including investment policies, funding and dividend policies and corporate values. In assessing financial policy and company value, financial theories and financial performance measurement tools are collected in the form of financial ratios. Financial ratios include the Market Debt Equity Ratio (MDER), Total Asset Growth (TAG), Market to Book Assets Ratio (MBAR), Free Cash Flow (FCF), and other theories related to research. Quantitative data is number-based data or what is called Numerical data. This data is in the form of a report document that will be processed with a statistical model. Data in the form of financial statements, data on the number of nominal profit figures obtained, total assets, total debt and total capital owned by PT. Indonesian Railways.

The analytical tool used in this study is Multiple Linear Regression. The purpose of this analysis is to find out how much influence some of the independent variables have on the dependent variables and also to predict the value of the dependent variables if all of the independent variables have known values. This analysis tool uses the Ordinary Least Squares (OLS) method or the least squares method. Ordinary Least Squares method is a method contained in multiple regression analysis. This method is used to minimize the number of quaratable

errors by estimating a regression line. Multiple linear regression analysis is a linear relationship between two or more independent variables (X_1 , X_2 , X_n) with the dependent variable (Y). In general, the stages of Multiple Linear Regression analysis are as follows: (a) Determine the Dependent and Independent variables (b) Perform a Linearity test because the model used is a Linear Regression model. (c) Building the model and selecting significant independent variables in the model.

3. Findings and Discussions

3.1 Findings

Value of Company Shares

The book value in question is the value per share (share value when the shares are sold for the first time to investors). PBV because this ratio reflects the net assets owned by shareholders by owning one share. The greater the PBV value will affect the company's prospects. Price to book value (PBV) is a valuation ratio to assess how expensive or cheap a stock is by comparing the stock price to the company's book value. Companies with a PBV below "1" are usually considered cheap stocks, while PBV ratios above "1" can be considered expensive stocks.

The definition of Price to Book Value according to experts this time was conveyed by (Siregar, H. 2017). They stated that Price to Book Value is the value given by investors or how an investor values an issuer. The way to find Price to Book Value is to divide the current stock price by the company's Book Value per share. Book Value per Share (BV) itself is obtained by dividing the company's equity value by the total number of outstanding shares.

Table 1. Book Value of PT. Indonesian Railways Year 2016-2021

Year	Price Per Share	Book Value (Capital)	Book Value Price Per Share
2016	1.000.000	9.713.072,878	0.0001
2017	1.000.000	13.099.813,871	7.633
2018	1.000.000	18.300.055,727	5.464
2019	1.000.000	19.805.624,463	5.049
2020	1.000.000	17.039.979,502	5.868
2021	1.000.000	23.411.740.352	4.271

Source: Processed Data, 2022

The results of the study found that the PBV or Price to Book Value in 2016 was below number 1, namely a PBV of 0.0001, indicating that the price per share was relatively cheap. Meanwhile, for 2017-2020 above number 1 means that the price of a share of a company is expensive. In 2017 PBV was 7,633, in 2018 it was 5,464, in 2019 it was 5,049, in 2020 it was 5,868 and in 2021 it was 4,271. The main shareholder and main controlling shareholder are the Republic of Indonesia (Government) with 100 percent share ownership with the number of shares as of December 31 2020 of 12,268,743 shares. Major and controlling shareholder of PT. KAI (Persero) was carried out by the Minister of State-Owned Enterprises (BUMN) since the company became a Limited Liability Company (Persero) based on Government Regulation no. 19 of 1998.

Funding Decision

The funding decision is a very important policy for the company, because it involves obtaining sources of funds for the company's operations. A DER that is too

high has a negative impact on company performance, because a higher debt level indicates that the company's interest expense will be greater and reduce profits.

The ratio of debt to equity at Railroad Services Company Persero Bandung in 2016-2020 shows that to finance long-term operations and investments depends on funding from the use of debt. Thus resulting in greater risk that must be borne by investors. A good DER ratio must be below 1 or below 100%, which means that the lower the DER ratio, the better the fundamental condition of the company. Where this low ratio indicates the amount of the company's debt is smaller than the amount of assets it owns or vice versa. The use of debt above 1 or above 100 percent has a negative impact on the company because the cost of capital (interest) is quite high.

Table 2. Debt to Equity Ratio PT. Indonesian Railways Year 2016-2021

Year	Debt	Capital	Debt to Equity Ratio	
			Number	Percent
2016	9,713,072.878	15,420,143,242	0.6298951	62.99
2017	13,099,813.871	20,438,591,787	0.6409352	64.09
2018	18,300,055.727	20,695,703,682	0.8842442	88.42
2019	19,805,624,463	25,099,922,978	0.7890711	78.91
2020	17,039,979,502	36,167,089,500	0.471146	47.11
2021	23,411,740,352	39,357,086,447	0.5948545	59.49

Source: Processed Data, 2020

The ratio of Railroad Services Company Persero Bandung (KAI) is below number 1 or below 100 percent, meaning that this funding decision is considered healthy with the composition of the use of debt decided in the company's funding policy. In 2016 Railroad Services Company Persero Bandung (KAI) has a DER of 62.99 percent with a debt composition of Rp. 9,713,072.878 and a capital of Rp. 15,420,143.242, -means that the company is in a healthy category. In 2017 the company's DER also increased to 64.09. The increase was followed by an increase in the amount of debt and own capital. Until 2020, it shows that there has been an increase in capital and an increase in debt occurring in 2019, it will also increase in 2020 and in 2021 there will also be an increase in debt followed by a decrease in the DER ratio in 2018-2020 and an increase again in 2021.

Investment decision

Table 3. Earning Per Share Ratio PT. Indonesian Railways Year 2016-2021

Year	Components of Earnings Per Share				
	Net Profit After Tax	Dividend	Net Profit After Tax-Dividend	Number of shares outstanding	EPS
2016	1,018,240.149	90,000,000	928,240,149	5,296,547	175
2017	1,720,316,981	172,421,272	1,547,895,713	6,668,734	232
2018	1,535,582,584	389,148,149	1,146,434,435	12,268,743	93
2019	1,975,047,535	334,596,000	1,640,451,535	12,268,743	134
2020	(1,736,237,892)	198,596,000	(1,934,833,892)	19,168,743	(101)
2021	(425,195,643)	90,439,328	(515.634.9711)	12,268,743	(42)

Source: Processed Data, 2020

The higher the PER value of a company, the more optimistic the market views the future prospects of the economy, and conversely, the lower the PER value, the more anxious and pessimistic the market is about the future of the economy. According to Kiswoyo Adi Joe, Head of Research at Narada Asset Management, a

negative PER indicates that the stock issuer is experiencing a net loss. "For stocks whose PER is minus, it really can't be recommended, but it depends on what the stock is minus because of what it is and that has to be looked at more deeply.

Earnings per share or Earning per Share is the amount of income earned in one period for each outstanding share. Information on a company's EPS shows the amount of company's net profit that is ready to be distributed to all company shareholders. Calculating earnings per share includes fundamental analysis in stock investment. The goal is to measure the performance of a company. Does the company record negative or positive earnings per share? If it is negative, it means that the company is losing money. Profits and losses of the company are directly reflected in EPS.

The greater the EPS value, the greater the net profit provided by the company for shareholders. Thus, investor interest will increase and affect the increase in stock prices so that the value of the company also increases. From the results of the partial test calculations, it is obtained that the calculated t value of the Price Earning Ratio variable is $1.633 < 1.988$ (t table) and a significance value of $0.106 > 0.05$. Because the significance value is greater than 5 percent, the second hypothesis is rejected, meaning that there is no significant positive effect between the Price Earning Ratio variable on firm value in automotive and transportation sector companies listed on the Indonesia Stock Exchange in the 2013 - 2016 period.

The results of this study are in line with Devianasari and Suryantini (2015) which state that the Price Earning Ratio has no significant effect on firm value in manufacturing companies listed on the Indonesia Stock Exchange 2009-2013. This insignificant effect shows that it is not one of the main factors that affect firm value. This may be because PER has more to do with other factors outside of company value such as profit taking by investors when stock prices increase or decrease, due to uncertain economic and political conditions, as well as sentiment from the stock market itself. Because the Price Earning Ratio is an investor's expectation or expectation of a company's performance expressed in a ratio. PER becomes meaningless if the company has very low profits, in this case the company's PER will be so high or even negative. In contrast to the research by (Bhekti and Prasetyorini, 2013) which states that the Price Earning Ratio has a positive influence on firm value.

Dividend Decision

Dividends given by the company to shareholders in the form of cash (cash). The greater the cash dividend earned by the company, the greater the value of the company because the amount of cash dividend received reflects the value of the shares sold by the company. If dividends are paid high, the stock price tends to be high so that the company value is also high. Conversely, if the dividends paid are small, the company's stock price will also be low. The ability to pay dividends is closely related to the company's ability to earn profits.

Every company has a different Dividend Payout Ratio, depending on the industry and sector. The ideal Dividend Payout Ratio is not low, but not too high either, around 30% - 40%. Dividend Payout Ratio above 50 percent is quite high. Dividend distribution in the company to investors is determined through a dividend policy. Factors that can influence dividend policy include profitability, liquidity, company growth rate and company size.

Dividend Payout Ratio can show the maturity level of the company. A new company is definitely growth oriented. The aim is to expand, develop new products and expand into new markets by reinvesting most or all of its net profit. The company has a low Dividend Payout Ratio, even zero, which is very reasonable. The percentage is 0 percent for companies that do not pay dividends and 100 percent for companies that distribute all net profit as dividends. On the other hand, a company that is older and more established but pays little dividends to shareholders is considered a test for investors. The Dividend Payout Ratio is also useful for assessing the sustainability of dividends. Companies are reluctant to cut dividends because it can lower share prices and reflect poor management skills. If the company's Dividend Payout Ratio is more than 100 percent, it means it pays out more dividends to shareholders than its net income. Companies will be forced to reduce the amount of dividend payments or stop paying. In addition, a continuously increasing ratio can indicate a healthy and mature business. However, if the ratio increases, it is a sign that the dividend is headed in an unsustainable direction.

Table 4. Dividend Payout Ratio PT. Indonesian Railways Year 2016-2021

Dividend Payout Ratio Components							
Year	Net Profit Net Loss	Dividend	Number of shares	Dividend Per Share	Earning Per Share	Dividend Payout Ratio	
						Ratio	Perc
2016	1,018,240.149	90,000,000	5,296,547	17	192	0.09	9
2017	1,720,316,981	172,421,272	6,668,734	26	258	0.10	10
2018	1,535,582,584	389,148,149	12,268,743	32	125	0.25	25
2019	1,975,047,535	334,596,000	12,268,743	27	161	0.17	17
2020	(1,736,237,892)	198,596,000	19,168,743	10	(91)	(0.11)	(11)
2021	(425,195,643)	90,000,000	12,268,743	7	(35)	(0.21)	(21)

Source: Processed Data, 2022

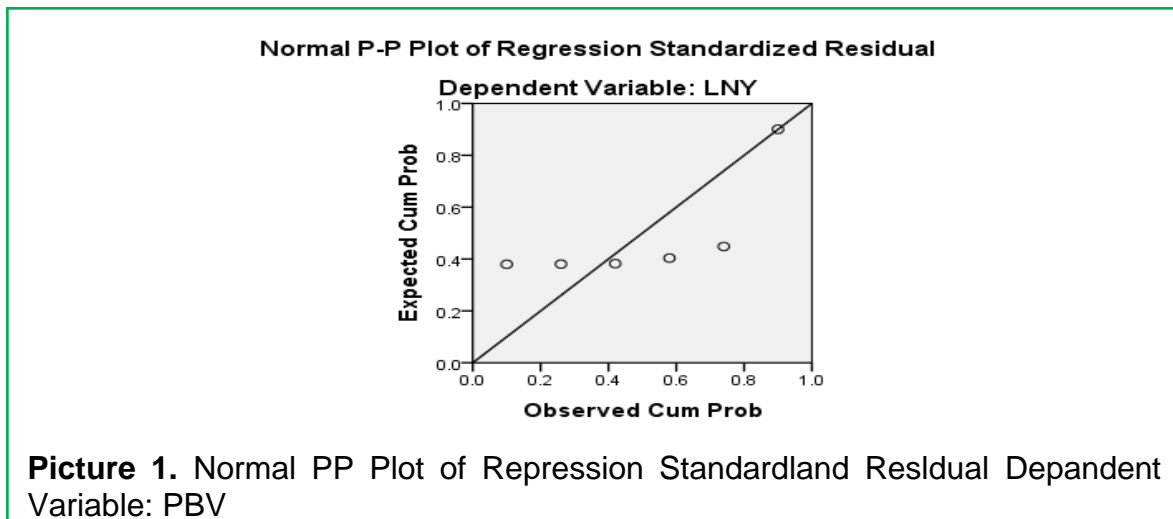
Based on table 4.4 shows Railroad Services Company Persero Bandung (KAI) in 2016-2021 pays dividends to the highest 2019 shareholders, only reaching 17 percent of the total profit generated and even investors bear losses in 2020-2021. This loss was experienced by PT. Indonesian Railways (KAI).

Classic assumption test

This Classic Assumption Test is a prerequisite test that is carried out before carrying out further analysis of the data that has been collected. This classic assumption test is intended to produce a regression model that meets the BLUE criteria (Best Linear Unbiased Estimator). The classic assumption test consists of the normality test, multicollinearity test, autocorrelation test and heteroscedasticity test.

Data Normalization Test

The Normality Test is used to find out the distribution of the distribution of residual data not data per research variable (Dependent, Independent) but residual data results in a regression model, variables or both have a normal distribution or not. In the Normality test with the PP Plot graph, if the residual data is scattered around a straight line, then the residual data is said to be normally distributed.



Based on the picture above, the data from the research results spread in a straight line, so it can be concluded that graphically, the model residuals are normally distributed. That the residuals of the research model are normally distributed, thus the normality requirements are fulfilled.

Autocorrelation Test

Autocorrelation test is to see whether there is a correlation between a period t and the previous period ($t-1$). There should be no correlation between observations and previous observation data. A good regression model is a regression that is free from autocorrelation or does not have autocorrelation. To find out by comparing the DW value with the d value from the Durbin Watson table with the following conditions:

Table 5. Autocorrelation Testing Criteria

Durbin Watson (DW0)	Conclusion	Information
$< dL$	There is Autocorrelation (+)	0 to 1.206
dL to dU	No Conclusion	1.207 to 1.55
dU to $4 - dU$	No Autocorrelation	1.56 to 2.45
$4 - dU$ to $4 - dL$	No Conclusion	2.46 to 2.794
$> 4 - dL$	There is Autocorrelation (+)	2,795 and above

Source: Sulyanto, 2011

From the assessment criteria, a comparison will be made between the DW value and the DW table. In the DW table of 3 independent variables (k) and the number of sample data (n) for 1 and 5 years of observation ($6 \times 1 = 5$) or n is 5. For $dL = 1.206$ and $dU = 1.5550$ the $4 - dU$ value; ($4 - 1.55 = 2.45$) and $4 - dL$ value; ($4 - 1.206 = 2.794$) and the DW value = 1.553 is listed in the Autocorrelation Test table.

Table 6. Summary Model Autocorrelation Test Results

Model	R	R Square	Durbin-Watson
1	.158	.025	2.293

Source: IBM SPSS Data Processing Results

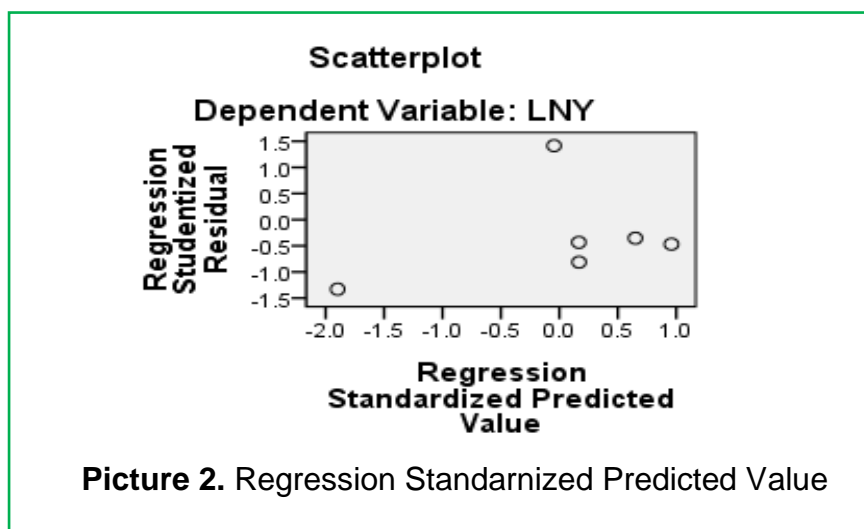
Based on table 6 after comparison, the DW value of the test results shows a value of 2,293 in positions $4 - dU$ to $4 - dL$ or 2.46 to 2,795, namely 2,293, which means that the area is not included in the symptoms of autocorrelation. This model can be used in predicting the company's stock price.

Heteroscedasticity Test

A good regression model is one that has homoscedasticity or does not have heteroscedasticity. If the variants are different, it is called Heteroscedasticity. The heteroscedasticity test was carried out in the regression model to test whether there is an unequal variance from the residuals from one observation to another (Juliandi et al., 2014). The heteroscedasticity test was carried out to find out whether in a regression model there is an inconvenience of variance from the residuals in one observation to another.

The residual is the difference between the observed value and the predicted value and the absolute is the absolute value. If the residual variation from one observation to another observation remains, then it is called Homoscedasticity. Meanwhile, if the residual variation is different, then it is called heteroscedasticity. To detect the presence or absence of heteroscedasticity in a multiple linear regression model, this is done by looking at the scatterplot graph or the predicted value of the dependent variable called SRESID with ZPRED residual error. Heteroscedasticity testing can be done using a Scatterplot Graph or from the predicted value of the dependent variable, namely SRESID with a residual error, namely ZPRED. The basis for decision making is as follows:

1. If there is a certain pattern, such as the dots that form a certain pattern that is regular (wavy, widens and then narrows), this indicates that there is heteroscedasticity.
2. If there is no clear pattern, or dots that spread above and below the number 0 on the y axis, then heteroscedasticity does not occur. spread randomly above and below the number 0 on the y axis. This means that there is no Heteroscedasticity problem.
3. If there is no specific pattern and it does not spread above or below zero on the y axis, then it can be concluded that there is no heteroscedasticity. For a good research model, there is no heteroscedasticity (Ghozali, 2016). The solution if the model violates the Heteroscedasticity assumption is to transform it into logarithmic form, which can only be done if all data is positive. Or it can also be done by dividing all variables by variables that experience heteroscedasticity.



From the research results found in table 7, it shows that it does not contain heteroscedasticity because it does not form a certain pattern and the data is spread both above the y-axis and below the y-axis, so this model is feasible to be used to predict company value.

Simultaneous Test (Test F)

Simultaneous test or F test is carried out on the PER, DER, DPR variables together simultaneously with the aim of detecting the three variables, both seen from the management of assets on investment assets of Railroad Services Company Persero Bandung (KAI) in its business activities and efficient use of its own capital in generating profits and contributing to the availability and Price to Book Value of PT. Indonesian Railways (KAI).

This F-test approach by juxtaposing F-hits and F-tabs in the Anova table in columns F and Sig is presented in the Anova model table as follows:

Table 7. F-test (Anova) DER, PER and DPR variables Price to Book Value (PBV) PT. Indonesian Railways (KAI) Year 2016-2021

ANOVA^a

	Model	Sum of Squares	df	MeanSquare	F	Sig.
1	Regression	0.836	3	0.279	.017	.996b -
	residual	32,091	2	16,046		
	Total	32,928	5			

a. Dependent Variable: Y

b. Predictors: (Constant), X3, X2, X1

Based on the table of 8 numbers, the F-count is 0.017 and Sig is 0.996 while the F-tab is as follows:

1. Degrees of freedom quantifier (df_1) = $k-1$; k is the number of Independent variables ($X_1, X_2 + Y$) ; $3-1 = 2$ and denominator degrees of freedom (df_2) = nk ; n the number of years of observation less the number of variables $6 - 3 = 3$
2. The number of observed n is 6 so that ($n - k$ or $6 - 3 = 3$) and 5% alpha (0.05) in column 5% or 0.05 in sequence (3)
3. (df_1) is 2 and (df_2) is 22 so the F-tab value is 9.01 F-hit > F-tab ($0.017 < 9.01$) or $Sig < \alpha$ ($0.996 > 0.05$) is said to be insignificant.

Based on the comparison of F-hit and F-tab, it shows that F-hit > F-tab ($0.017 < 9.01$) or $Sig < \alpha$ ($0.996 > 0.05$) indicates that the Simultaneous TEST is rejected, meaning that the three independent variables are DER, PER and DPR in the hypothesis that significant effect is rejected because it is not significant, meaning that the additional amounts of DER, PER and DPR change changes in the increase in firm value (*Pricingm Book Value*) or vice versa.

3. 2 Discussions

Effect of Independent Variables on Partially Dependent Variables

The company's stock price fluctuates, there are always conditions where their share price can go down and it can also go up. In fact, even large companies can experience the same thing. However, does it affect the company. In general, there is no impact on the company when the stock price falls. Company performance is not affected. In fact, there is no direct link to the company's profit and loss.

The same is true with research at Railroad Services Company Persero Bandung Tbk (KAI) the results found for company value as seen from the Pricing Earning Ratio or the ratio that describes the level of stock prices in the market are classified as expensive or not. In 2016-2021 the value per share of Railroad Services Company Persero Bandung (KAI) ratio is greater than 1, meaning that the stock price is relatively expensive.

Then in testing the relationship between the Pricing Earning Ratio to the Price Book Value (PBV) by submitting the hypothesis (1). Pricing Earning Ratio has a significant effect on Price Book Value (PBV) is not proven or rejected. The test results based on the t-hit table have their respective values (PER) -0.225, DER -0.004 and DPR 0.122 indicating that both PER, DER and DPR have PER (t-hit < t-tab) or $-0.225 < 2.35336$. Explaining that how much a change in the price of a stock that is classified as expensive does not affect the book value per share (PBV) or company value is evidenced by an insignificant influence relationship.

Effect of Debt to Equity Ratio on Firm Value

Based on the t-hit DER table (t-hit < t-tab) or $-0.225 < 2.35336$. DER (t-hit < t-tab) or $0.004 < 2.35336$ means the hypothesis which states that DER has a significant effect on firm value. The Debt to Equity Ratio (DER) assesses debt to equity. This ratio is sought by comparing all debt, including current debt with all equity. This ratio is useful for knowing the amount of funds provided by borrowers (creditors) with company owners, assessing debt with equity.

The DER ratio will affect the company's value where investors will choose a high DER value because it indicates the small financial risk borne by the company. According to Kasmir (2014:157-158), the Debt to Equity Ratio (DER) is the ratio used to assess debt to equity. This ratio is sought by comparing all debt, including current debt with all equity. This ratio is useful for knowing the amount of funds provided by borrowers (creditors) with company owners. In other words, this ratio serves to find out every rupiah of own capital that is used as collateral for debt.

For banks (creditors), the greater this ratio, the more unprofitable it will be, because the greater the risk borne by the failure that may occur in the company. However, for companies, the greater this ratio, the better. Conversely, with a low ratio, the higher the level of funding provided by the owner and the greater the security limit for the borrower in the event of a loss or depreciation of the asset value. This ratio also provides a general indication of a company's financial viability and risk. So the DER ratio will affect the value of the company where investors will choose a high DER value because it shows the small financial risk borne by the company. This is consistent with research conducted by (Gisela Prislia Rompas, 2013), which states that the variable Debt to Equity Ratio (DER) partially has a positive and significant effect on firm value. H1: Debt to Equity Ratio (DER) has a positive effect on firm value.

The Effect of Dividend Pay Out Ratio on Firm Value

Based on the t-hit table, the DPR value is 0.122 indicating that the DPR (t-hit < t-tab) or $0.112 < 2.35336$ or t-hit < t-tab indicates that the Dividend Pay Out Ratio has no significant effect on firm value. In line with the significant test, it shows that the company's ability to pay a portion of the profits given to shareholders in exchange

for services for money included as capital and used by the company in carrying out business activities does not increase the value of the company.

If the company experiences a profit, the company's obligation to pay dividends otherwise suffers a loss, the issuer will suffer a loss. Both conditions of the company experiencing profit or loss do not affect the value of the company. The company value is the book value per share according to the market price. If the company earns a profit, there is a company management policy to distribute dividends to issuers and dividend distribution, the company's value will increase, otherwise the share value will decrease, if profits decrease.

How much dividend distribution will increase the value of the company's shares. Modigliani Miller argues that dividends are irrelevant which means that there is no optimal policy because dividends do not affect firm value. Related to the results of this study to get answers to the hypothesis that dividend distribution has no significant effect on firm value. In contrast, research by (Sari, 2013) states that dividend policy has a positive and significant effect on firm value. The greater the dividends distributed to shareholders, the better the performance of the issuer or company and in the end the firm value will increase. This means that dividends are paid high, the stock price tends to be high so that the value of the company is also high.

4. Conclusion

From the results of the study it can be concluded that: (a) Pricing Earning Share, Debt to Equity Ratio and Dividend Pay Out Ratio have no significant effect on firm value. (b) The hypothesis that the Pricing Earning Share, Debt to Equity Ratio and Dividend Pay Out Ratio have no significant effect on firm value is rejected; (c) Variations in the book value per share, the amount of capital to guarantee debt and the dividend distribution policy do not affect how much the value of Railroad Services Company Persero Bandung through Price to Book Value (PBV). Investors usually prefer ratios related to profitability in deciding to invest in a company. with a small ability the Price Earning Ratio in predicting stock prices is not possible due to the nature and pattern of the Price Earning Ratio which is not precise and efficient so that the stock price obtained is not optimal.

The results of this study consistently support previous research conducted by (Wicaksono in Muhammad, 2015) which stated that partially the Price Earning Ratio variable has no effect on stock prices or firm value. On the other hand, it is not significant because of the share ownership of Railroad Services Company Persero Bandung, Tbk, which is wholly or 100 percent owned by the government, so there is no room for investors and it is not attractive for investors to invest in Railroad Services Company Persero Bandung, Tbk there is no mutual benefit for investors. Another reason is that the theory that dividend distribution will affect stock prices cannot be generalized. Dividend distribution does not always affect stock price movements because there are still issuers whose dividend distribution has a negative correlation with stock prices.

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