# Analysis of Investment Decisions and Funding Decisions on Firm Value with Good Corporate Governance as a Moderating Variable in Food and Beverage Listed on IDX 2017-2020

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**ABSTRACT**

*This study aims to determine the effect of independent variables and moderating variables on the dependent variable. The independent variables include Investment Decisions and Funding Decisions. The moderating variable is Good Corporate Governance. While the dependent variable is firm value. The population in this study were 33 Food and Beverage companies listed on the Indonesia Stock Exchange. The sample used is 16 Food and Beverage companies listed on the Indonesia Stock Exchange for the 2017-2020 period that meets the criteria. The sample method used is purposive sampling. Techniques and hypothesis testing using SmartPLS 3.3.9 analysis. Based on the results of research and discussion, it shows that Investment Decisions have a significant positive effect on firm value. Funding Decisions have a significant positive effect on firm. GCG strengthens the moderation of investment decisions on firm value. GCG strengthens the moderation of funding decisions on firm value.*

**Keywords:** *Investment Decision; Funding Decision; Good Corporate Governance; Value of The Firm.*

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## INTRODUCTION

In the current era of globalization, the development of business and technology is progressing very rapidly, such as food and beverage that have gone public. The food and beverage industry category non-cyclical meaning that sales tend to be stable. Therefore, the company tends to experience growth which is marked by an increase in revenue and an increase in company value. With the increase in the value of the company, it will attract investors to invest and at the same time the company will get funding from the funds invested .

**Table 1. Food and Beverage Listed on IDX 2017-2018**

| No | Code | PBV | | | | (in billion) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2017 | 2018 | 2019 | 2020 | 2017 | 2018 | 2019 | 2020 |
| 1 | CAMP | 8.32 | 2.3 | 2.35 | 1.85 | 944.8 | 961.1 | 1,028.9 | 956.6 |
| 2 | CEKA | 0.85 | 0.84 | 0.88 | 1.19 | 4,257.7 | 3,629.3 | 3,120.9 | 3,634.2 |
| 3 | CLEO | 5.57 | 5.36 | 8.53 | 6.71 | 614.6 | 831.1 | 1,084.9 | 972.6 |
| 4 | DLTA | 3.21 | 3.43 | 4.49 | 3.45 | 777.3 | 893.0 | 827.1 | 546 ,3 |
| 5 | HOKI | 1.7 | 3.08 | 3.48 | 0.92 | 1,209.2 | 1,430.7 | 1,653.0 | 1,173.1 |
| 6 | ICBP | 5.11 | 5.37 | 4.88 | 2.22 | 35,606.6 | 38,413.4 | 42,296.7 | 46,641.0 |
| 7 | INDF | 1.43 | 1.31 | 1.28 | 0.76 | 70,186.6 | 73,394.7 | 76,593.0 | 81,731.5 |
| 8 | MLBI | 27.06 | 28.87 | 28.5 | 14.26 | 3,389.7 | 3,649.6 | 3,711.4 | 1,985.0 |
| 9 | MYOR | 6.14 | 6.86 | 4.63 | 5.38 | 20,816.6 | 24,060.8 | 25,026.7 | 24,476.9 |
| 10 | BREAD | 2.8 | 2.55 | 2.6 | 2.61 | 2,491, 1 | 2,766,5 | 3,120.9 | 3,634.2 |
| 11 | SKBM | 1.21 | 1.15 | 0.68 | 0.58 | 1,841.4 | 1,953.9 | 2,104.7 | 3,165.5 |
| 12 | SKLT | 2.47 | 3.05 | 2.92 | 2.66 | 914.1 | 1,045.0 | 1,281.0 | 1,254.0 |
| 13 | STTP | 4.12 | 2.98 | 2.74 | 4.66 | 2,825,4 | 2,826.9 | 3,512.5 | 3,846.3 |
| 14 | ULTJ | 3.55 | 3.27 | 3.43 | 3.87 | 4,879.5 | 5,472.8 | 6,223.1 | 5,967.7 |
| 15 | ADES | 1.23 | 1.13 | 1.09 | 1.23 | 814.0 | 804.0 | 764.0 | 673.0 |
| 16 | BUDI | 0.35 | 0.35 | 0.36 | 0.34 | 2.510.5 | 2.647.1 | 3.003.7 | 2.725.8 |

Source: www.idx.co.id, 2022.

Based on the data above, it can be seen that the sales of the food industry and beverages experienced fluctuating sales every year from 2017-2020. For PT Indofood CBP Sukses Makmur Tbk. (ICBP), PT Indofood Sukses Makmur Tbk. (INDF), PT Sekar Bumi Tbk. (SKBM), PT Siantar Top Tbk. (STTP), PT Nippon Indosari Corpindo Tbk. (ROTI) managed to record an increase in net sales growth from 2017-2020. Several other companies experienced fluctuating sales, but for PT Akasha Wira International Tbk. (ADES) actually experienced a decline in sales from 2017-2020. For the results of the calculation of the average PBV value of each company have different values. Most companies have a positive PBV value above 1, meaning that the company is categorized as good because it has a book value ratio that is higher or greater than 1. However, there are several companies that have a value below 1, namely companies with the CEKA code in 2017-2019, HOKI and INDF in 2020, SKBM in 2019-2020 and BUDI in 2017-2020. This indicates that the management of the company has not been achieved optimally, thus affecting the PBV value which reflects the company value. Based on the data information above,there is potential for growth, the food and beverage industry still has good prospects to attract investors to invest so that it can increase stock prices, thus increasing the value of the company [2].

A number of previous studies examined the factors that affect firm value. This study tries to examine the influence of investment decisions and funding decisions on firm value because, with a good investment composition, it will be able to attract investors to invest in the company so that the stock price will increase and the firm value will also increase. Optimal funding composition and proper management will provide benefits that can increase firm value. The existence of inconsistencies (research gaps) in the results of previous studies, this study proposes a moderating variable, namely good corporate governance to provide solutions from the results of different previous studies.

Increasing firm value or maximizing shareholder prosperity is the main goal of the company. Increasing firm value can be achieved through the implementation of the main functions of financial management, namely by making financial decisions including investment decisions, funding decisions and asset management decisions. Investors assessment of stock prices can affect the value of the company. Stock price movements will change from time to time and fluctuate due to several factors. One of the factors that can influence this phenomenon is financial decisions [6].

Investment decisions are decisions regarding the use of funds, both for the short term and for fixed assets. Research on the effect of investment decisions on firm value conducted by Tito Gustiandika states the results that investment decisions have a significant positive effect on firm value [4]. Similar results were also found by Amilia, Ulfi Pristiana et al., and Doni Stiadi and Meina Wulansari [12][13][17]. However, the findings of this study are different from Shella Febrita Sari, and Nova Reksata Sari and Wahidawati which state that investment decisions have a negative effect on firm value [15][16].

Funding decisions are decisions made by management to obtain sources of funds that will be used by the company either from outside or from within the company. Management must allocate the funds obtained for various company operational funding needs such as to finance cash, receivables and fixed assets of the company [1]. This is what is meant by an investment decision, an investment decision is a decision to withhold profits and invest funds [5].

To achieve good financial decisions, the role of good corporate governance is needed. The implementation of GCG to increase corporate value requires a strong commitment and consistency from all members of the company's ranks (principals and agents) as well as stakeholders with a good management system so that they can provide benefits as decision makers that emphasize the company's financial decisions. Investors tend to choose companies with good GCG implementation because it allows the sustainability and growth of the company to be more guaranteed so that investors are very concerned about the implementation of GCG to make investment decisions.

**Formulation of The Problem**

Based on the explanation of the problem's background, the following is the situation in this study:

1. Does the Investment Decision have a significant effect on Company Value in Food and Beverage 2017-2020?
2. Does the Funding Decision have a significant effect on Company Value in Food and Beverage 2017-2020?
3. Does Good Corporate Governance moderate the influence of Investment Decisions significantly on Company Value in Food and Beverage 2017-2020?
4. Does Good Corporate Governance moderate the influence of Funding Decisions significantly on Company Value in Food and Beverage 2017-2020?

**Writing Purpose**

The purpose of this study is directed to analysis of investment decisions and funding decisions on firm value with good corporate governance as a moderating variable in food and beverage listed on IDX 2017-2020. This research is expected to analyst:

1. Significant influence of Investment Decisions on Firm Value in Food and Beverage 2017-2020.
2. Significant influence of Funding Decisions on Firm Value in Food and Beverage 2017-2020.
3. Significant influence of Good Corporate Governance moderating Investment Decisions on Firm Value in Food and Beverage 2017-2020.
4. Significant effect of Good Corporate Governance moderating Funding Decisions on Firm Value in Food and Beverage 2017-2020.

## LITERATURE REVIEW

### Signalling Theories

Theory Signaling theory explains that the agent (management) as the principal (the owner of the company), should convey signals (information) of the success or failure of management to the principals. Complete, relevant, accurate and timely information is needed by investors in the capital market as an analytical tool for investment decision makers. This signal theory can be used in discussing the ups and downs of stock prices in the capital market so that it affects investment decision making. The response of investors to positive and negative signals will affect market conditions. Investors will react in various ways such as "wait and see" existing developments and then make decisions [1]. Signal theory is an action taken by company management that provides clues to investors about how the company views the company's prospects [2].

**Agency Theory**

Concept agency theory explains the contractual relationship between agents and principals. The agent is obliged to carry out duties in the interests of the principal. In an agency relationship, each party is driven by different motivations according to their interests. each party tries to achieve and or maintain the desired interest, then in this relationship a conflict of interest may occur. Agency theory is basically a concept used to formulate problems in the form of disputes between shareholders as company owners (principals) and managers (agents) as parties appointed or authorized by shareholders to run the company in accordance with the interests of the company owners [9].

**Balancing Theories**

In Modigliani and Miller's theory with taxes, MM argues that funding decisions are relevant. Interest paid (because of using debt) can be used to reducetax deductible. Saving paying taxes is a benefit for company owners, so of course the value of companies that use debt will be greater than the value of companies that do not use debt.

However, the use of debt that is too high can reduce the value of the firm. One of the causes is the emergence of very high bankruptcy costs. Bankruptcy costs consist of legal fees (claims settlement costs) and distress prices (company assets are sold cheaply). Therefore the company should use debt to minimize the cost of capital to achieve an optimal capital structure. The increase in the company's cost of capital due to the benefits derived from the use of debt (tax savings) will be converted into bankruptcy costs. Therefore, this theory is called the balancing theory, namely balancing the benefits and costs of using debt. The essence balancing theories is to balance the benefits and costs that arise as a result of using debt. As long as the benefits are still greater, the debt will be added. If the cost is greater because of using debt, then the addition of debt is no longer allowed [5].

**Packing Order Theory**

This theory explains how the company in determining the composition of capital used by the company. This theory is based on asymmetric information. Asymmetric information affects the choice of internal or external sources of funds between the issuance of new debt or new equity. So this theory explains that, investments will be financed with internal funds first (retained earnings), then followed by the issuance of new debt, and finally with the issuance of new equity [5].

### Investment Decisions

Investment decisions are long-term investment decisions. Long-term policies related to the use of funds and expectations of future profits for the company. Investment decisions have a long-term time dimension, so the decisions taken need to be considered carefully and carefully because they have long-term impacts as well. Returns received by the company for investment decisions on these assets in the hope of getting a rate of return that is greater than the minimum value that should be received. The greater the investment made by the company, the investor has the view that the company has good prospects, causing investor interest to buy shares to increase which will have an impact on increasing stock prices which can increase the value of the firm [12].

### Funding Decisions

Funding decisions concern how to obtain sources of funding by the company to fund its operational activities. Funds can be obtained in the form of debt or equity (equity). The composition of debt and equity is called the capital structure. Packing Order Theory explains that the composition of the sources of funds used by the company is firstly financed with internal funds (namely retained earnings), then followed by the issuance of new debt, and finally with the issuance of new equity. Balancing theory reveals that if the use of company debt is still small (below the optimal capital structure) it can issue bonds (debt). If the debt used is already a lot (above the optimal capital structure), issue new shares [5].

### Firm Value

The main objective of the company is to maximize shareholder wealth or increase firm value. Increasing firm value can be achieved through the implementation of the main function of financial management where one financial decision will affect other financial decisions. Financial decisions include investment decisions, funding decisions and asset management decisions [6]. Firm value is an investor's view of the level of success of managers who are trusted in managing company resources which are often associated with stock prices. With an increase in company value accompanied by an increase in the share price of a company, it will certainly be able to improve the welfare of shareholders [9].

### Good Corporate Governance

Corporate governance is a system, process and set of rules governing the relationship of interested stakeholders, namely the relationship between shareholders, managers, the board of commissioners and the board of directors to achieve organizational goals [14]. Based on agency theory, there is a contractual relationship between the principal (company owner) and agent (management) and agency conflicts arising from the relationship between the two parties, so that the implementation of GCG is needed. The implementation of GCG is needed to create a conducive relationship and align the interests between company owners and company management in realizing good company performance, which in turn supports increasing firm value [11].

**Hypothesis**

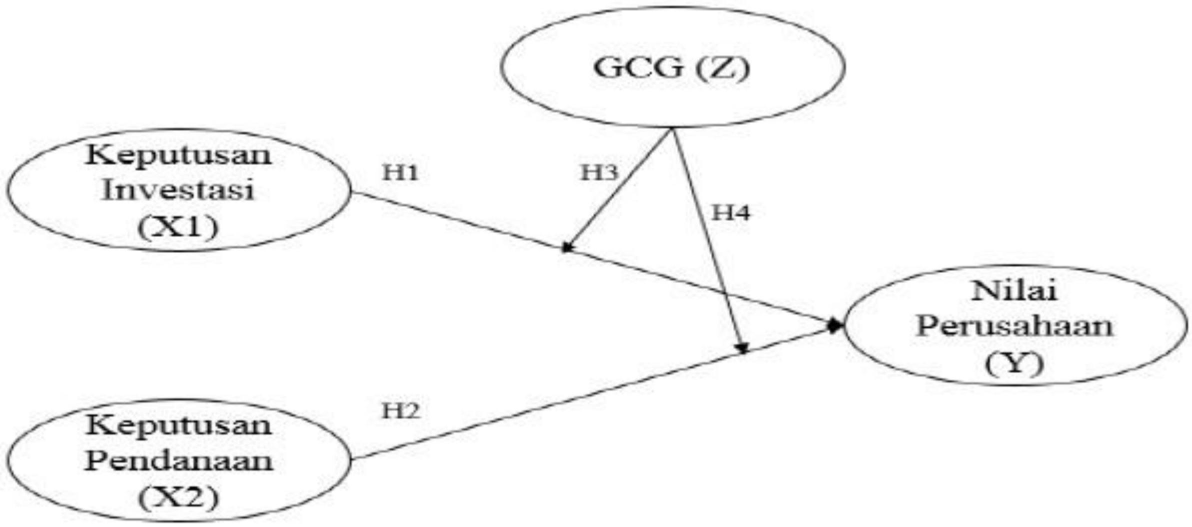



**Figure 1. Conceptual Framework**

*The Influence of Investment Decisions on Firm Value*

Investment decisions become an important factor in the company's financial function so that firm value is influenced by investment decisions. Signal theory reveals that investment spending gives a positive signal about the company's future prospects which can increase stock prices in optimizing firm value. Investment Decisions are interpreted by proxy Investment opportunity set (IOS) is a form of investment made by the company so as to generate value for the company in the future. The higher the IOS, the company will have value in the future and will be valued higher by investors [17].

H1: Investment Decisions have a positive effect on Firm Value.

*Influence of Funding Decisions on Firm Value*

Companies must make Funding Decisions, where the determination of the composition of funding needed to fund investments from outside the company in the form of short-term debt, long-term debt or from within the company in the form of own capital (equity). Companies that have high investments will result in high debt because high debt is used to finance these investment opportunities. Funding using debt can increase the value of the company to the optimal point because the payment of debt interest paid by the company is a cost that reduces taxable income (tax deductible). After the optimal point, where the costs of bankruptcy (financial distress) and agency costs (agency costs) do not exceed the cost of tax savings, it is feared that using too high debt can reduce the value of the company if the costs of bankruptcy exceed the benefits of tax savings. Therefore, companies that use optimal capital structure can maximizefirm valueand minimizecost of capital [7].

H2: Funding Decisions have a positive effect on Firm Value.

*Moderation of GCG on Investment Decisions on Firm Value*

Theoretically, good corporate governance (GCG) is applied to provide oversight to the company's management in managing the company to provide prosperity for its shareholders in the sense of maximizing the firm's value. The implementation of good corporate governance has a significant influence on management in increasing the effectiveness and efficiency of making investment decisions so that the decisions taken have good quality so that they can attract investors to invest. If the management of the company is good, the influence of investment decisions on firm value will be even greater, which means that the investment decisions made will improve company performance which has an impact on increasing company value [12].

H3: Implementation of Good Corporate Governance moderates the significant effect of Investment Decisions on Firm Value.

*Moderation of GCG in Funding Decisions on Firm Value*

Implementation good corporate governance is needed to supervise management in maximizing shareholder value. The use of debt is a very sensitive matter, because it will have a direct impact on changes in firm value. If the company uses high debt for its operational activities, it will reduce taxes, but debt that is too high can pose a risk to the company. Therefore, it is necessary to implement GCG in the company. Good corporate governance in the use of the optimal level of corporate funding debt will have an impact on increasing firm value [3].

H4: Implementation of Good Corporate Governance moderates the significant effect of Funding Decisions on Firm Value.

## RESEARCH METHODS

### Research Design

Design of this research is quantitative research, namely an approach research method using data in the form of numbers in statistical analysis used to observe researching a particular population or sample, collecting data using literature studies and documentation, statistical and quantitative data analysis with data processing using SmartPLS 3.3.9 program aims to test the hypotheses that have been formulated. This study uses secondary data in the form of annual financial statements of Food and Beverages listed on the Indonesia Stock Exchange in 2017-2020. obtained from http://www.idx.co.id.

**Research Limitations**

This research only focuses on Food and Beverage listed on the IDX in 2017-2020.

**Variable and Operational Definition**

*Investment Decision*

Invesment decisions are decisions to hold profits and invest funds. Investment decisions reflected by MVA/BVA are very important in an effort to increase Company Value, because this type of investment will provide a signal about the prospects for the growth of the company's total assets and the prospects for capitalization of stock market value which is reflected in the expected asset growth for the future [5]

MVA/BVA : (Total assets-Total Equity + (Shares outstanding x closing price)) / Total assets

MVE/BVE : (number of shares outstanding x closing price) / Total equity

*Funding Decisions*

Funding decisions are decisions related to the amount of funds provided by the company, both debt and equity and usually related to the right-hand side balance sheet financial [7][10].

Debt to Equity Ratio (DER) = Total debt / Own capital (equity)

Book Debt to Assets ratio (BDA) = Total debt / Total assets

*Firm Value*

Firm Value is an investor's view of the level of success of managers who are trusted in managing company resources which are often associated with stock prices [9]. If the ratio of Liquidity, Asset Management, Debt Management and Profitability looks good and stable, the market value ratio will be high, stock prices are also high as expected [2]. If a share price increases, it means that the value of the company also increases which will give hope to shareholders in the form of large profits.

PBV = Closing share price / Book value per share (BVPS)

PER = Closing share price / Earnings per share (EPS)

*Good Corporate Governance*

Good Corporate Governance (GCG) has a function as a control tool to prevent agency conflicts within the company and ensure to the owners of capital (investors) that the invested capital has been used appropriately and efficiently so that investors and creditors are confident that they will get a proper return on investment [14].

Board of Commissioners = Number of members of the Board of Commissioners

Board of Directors = Number of members of the Board of Directors

**Data Source**

The source of the data obtained comes from the official website of the Indonesia Stock Exchange http://www idx.co.id and other sources, namely https://www.idnfinancials.com and the official websites of Food and Beverage their respective.

**Types of Data**

The type of data used in this study is quantitative data, namely data in the form of numbers and the data used in this study is secondary data.

**Population and Sample**

The population in this study are all food and beverage listed on the Indonesia Stock Exchange for the 2017-2020 period. And the sample in the study used purposive sampling method based on predetermined criteria in order to obtain a sample of 16 Food and Baverage companies.

**Research Time and Place**

This research was carried out at companies included in the Food and Beverages listed on the Indonesia Stock Exchange and the time period of the study was carried out from April to June 2022.

**Data Collection Techniques**

Data collection techniques that will be used in this study are data collection. by using documentation techniques and literature study.

**Data Processing**

Data processing used in this research is using Partial Least Squares (PLS) program. The results of data processing will provide an overview for researchers. The significant value of the variable coefficient will affect the hypothesis in this study after testing with Partial Least Squares (PLS).

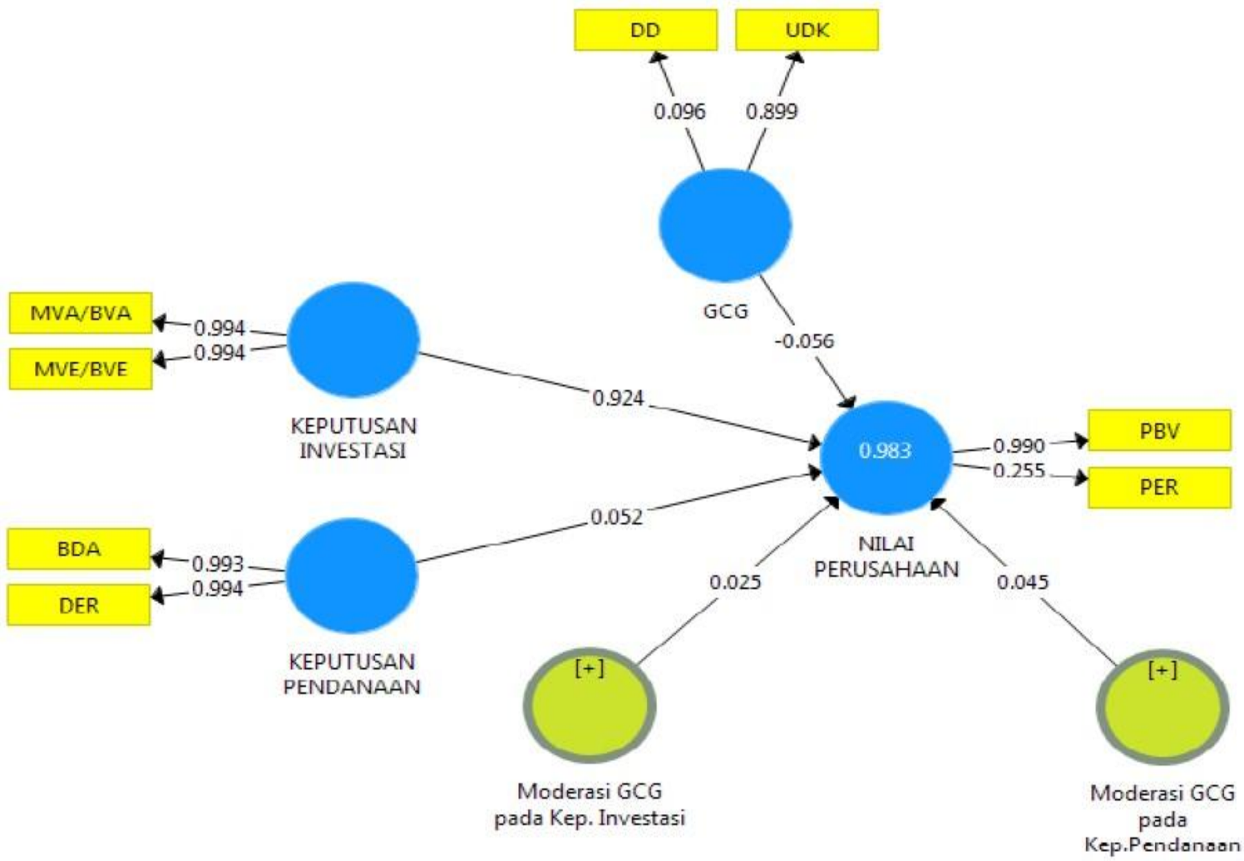
**Methods and Techniques of Data Analysis**

Data analysis techniques used in this study were statistical analysis and descriptive analysis. Statistical analysis was used to analyze the research hypothesis and descriptive analysis was used to explain the results obtained from statistical analysis. The data analysis tool in this study uses the Smart PLS software 3.3.9.

## RESULTS

### Testing the Measurement Model (Outer Model)

*Convergent Validity*




Source: PLS data processing results, 2022.

**Figure 2. Convergent Validity Output**

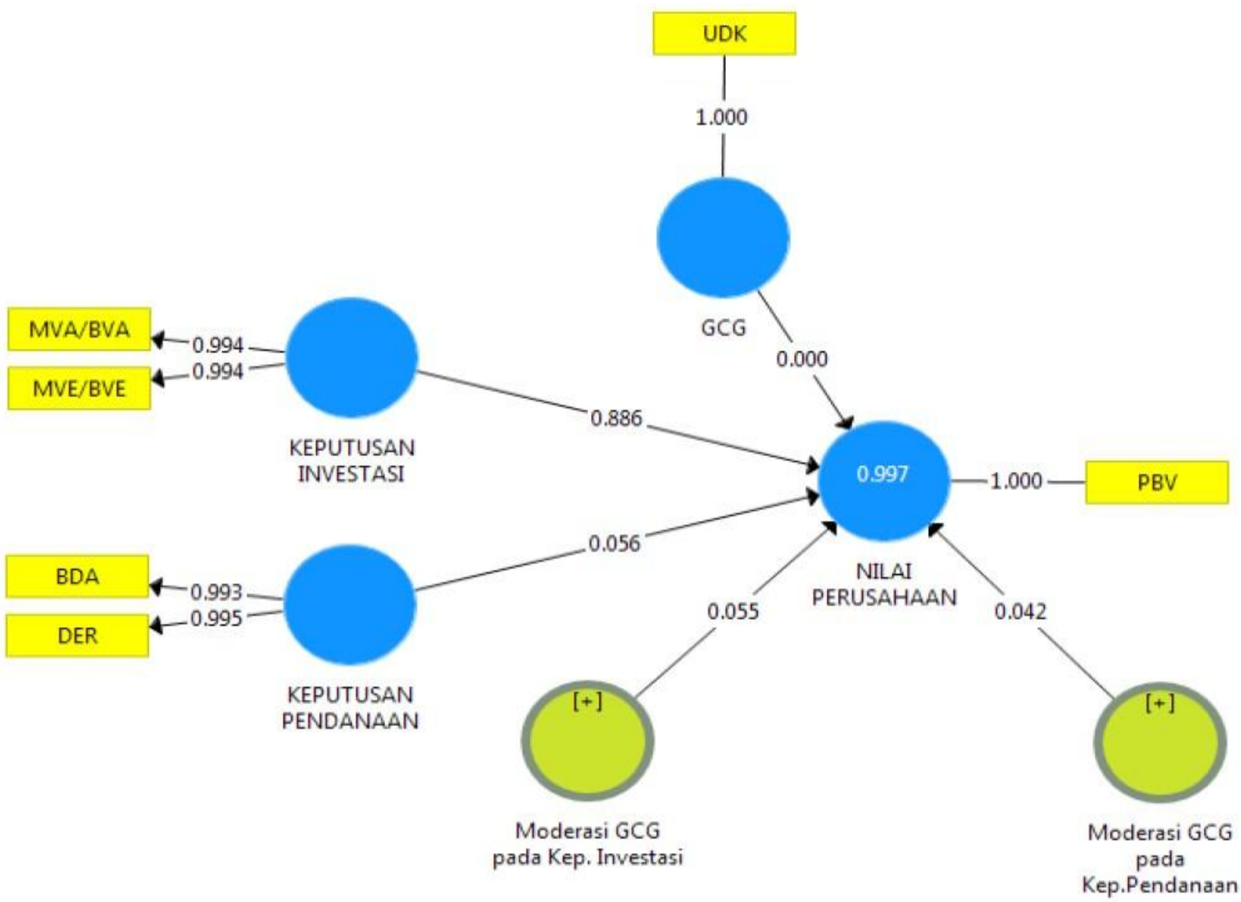
**Table 2. Convergent Validity stage 1**

| VARIABLES | INDICATORS | OUTER LOADING | DESCRIPTION |
|---|---|---|---|
| Investment decisions | MVA/BVA | 0.994 | valid |
| | MVE/BVE | 0.994 | valid |
| Funding decision | DER | 0.994 | valid |
| | BDA | 0.993 | valid |
| Good Corporate Governance | Board of Commissioners | 0.899 | valid |
| | Board of Directors | 0.096 | invalid |
| Company Value | PBV | 0.990 | valid |
| | PER | 0.255 | invalid |

Source: PLS Data Processing Results, 2022.

Outer model explains the relationship between indicators and their constructs (latent variables). Evaluation of the measurement model or Outer Model with a construct validity test consisting of Convergent Validity, namely by paying attention to the loading factor assessment criteria outer loading must be more than 0.7 and the average variance extracted (AVE) value is greater than 0.5 to be said to be a valid indicator.

Based on the convergent validity test shown in Figure 2 and Table 2, it is known that there are several indicators in each construct that are considered inappropriate or invalid to be used because they have a convergent validity value below 0.7, so retesting is carried out by removing indicators from the construct that has a value below 0.7. The results of the retest phase 2 are shown in Figure 3 and Table 3.




Source: PLS data processing results, 2022.

**Figure 3. Convergent Validity Output**

**Table 3. Convergent Validity stage 2**

| VARIABLES | INDICATORS | OUTER LOADING | DESCRIPTION |
|---|---|---|---|
| Investment decisions | MVA/BVA | 0.994 | valid |
| | MVE/BVE | 0.994 | valid |
| Funding decision | DER | 0.994 | valid |
| | BDA | 0.993 | valid |
| GCG | Board of Commissioners | 0.899 | valid |
| Company Value | PBV | 0.990 | valid |

Source: PLS Data Processing Results, 2022.

Based on the evaluation results of retesting the convergence validity stage 2, it is known that all indicators of each construct have met the criteria of convergent validity because they have an outer loading value above 0.7 then, all indicators are declared feasible or valid in measuring each construct variable and can be used for further analysis.

*Discriminant Validity*

Validity test aims to test the validity of the indicator block. A high discriminant validity value explains that a construct is unique and can explain the phenomenon being measured. The discriminant validity test used the value of cross-loading, the value of Latent Interconstruct Correlation and the value of the square root of AVE. An indicator is declared to meet discriminant validity if the cross-loading indicator value on that variable is the largest compared to other variables.

**Table 4. Cross Loading**

| | GCG | KEPUTUSAN INVESTASI | KEPUTUSAN PENDANAAN | MODERASI GCG*KEPUTUSAN INVESTASI | MODERASI GCG*KEPUTUSAN PENDANAAN | NILAI PERUSAHAAN |
|---|---|---|---|---|---|---|
| BDA | 0.308 | 0.254 | 0.993 | 0.292 | 0.062 | 0.309 |
| DER | 0.307 | 0.306 | 0.995 | 0.378 | 0.092 | 0.363 |
| KEPUTUSAN INVESTASI * GCG | 0.223 | 0.807 | 0.341 | 1.000 | 0.529 | 0.842 |
| KEPUTUSAN PENDANAAN * GCG | 0.495 | 0.561 | 0.079 | 0.529 | 1.000 | 0.588 |
| MVA/BVA | 0.368 | 0.994 | 0.220 | 0.761 | 0.528 | 0.978 |
| MVE/BVE | 0.402 | 0.994 | 0.343 | 0.843 | 0.587 | 1.000 |
| PBV | 0.400 | 0.995 | 0.340 | 0.842 | 0.588 | 1.000 |
| UDK | 1.000 | 0.387 | 0.309 | 0.223 | 0.495 | 0.400 |

Source: PLS Data Processing Results, 2022.

Based on table 4, it can be seen that each indicator in the latent construct has a higher cross-loading value than the cross-loading value in the other latent constructs. Thus, the latent construct predicts indicators in their block better than indicators in other blocks and all cross loading above 0.70. So, overall the indicators forming the variables are categorized as valid. Discriminant validity can also be determined by comparing the square root value of the average variance extracted (√AVE) with the correlation and construct values. If the value of the square of AVE is higher than the correlation between the other constructs, then the construct has a good level of discriminant validity.

**Table 5. Values of Latent Constructs**

| | GCG | KEPUTUSAN INVESTASI | KEPUTUSAN PENDANAAN | Moderasi GCG*Kep. Investasi | Moderasi GCG*Kep. Pendanaan | NILAI PERUSAHAAN | AVE | AKAR KUADRAT AVE |
|---|---|---|---|---|---|---|---|---|
| GCG | 1.000 | 0.387 | 0.309 | 0.223 | 0.495 | 0.400 | 1.000 | 1 |
| KEPUTUSAN INVESTASI | 0.387 | 1.000 | 0.284 | 0.807 | 0.561 | 0.995 | 0.989 | 0.9943447 |
| KEPUTUSAN PENDANAAN | 0.309 | 0.284 | 1.000 | 0.341 | 0.079 | 0.340 | 0.987 | 0.9935773 |
| Moderasi GCG*Kep. Investasi | 0.223 | 0.807 | 0.341 | 1.000 | 0.529 | 0.842 | 1.000 | 1 |
| Moderasi GCG*Kep.Pendanaan | 0.495 | 0.561 | 0.079 | 0.529 | 1.000 | 0.588 | 1.000 | 1 |
| NILAI PERUSAHAAN | 0.400 | 0.995 | 0.340 | 0.842 | 0.588 | 1.000 | 1.000 | 1 |

Source: PLS Data Processing Results, 2022.

All correlation values between constructs are lower in value than the AVE value of each latent construct indicating that each latent construct has good discriminant validity. So, overall the latent construct in this study is quite unique and can explain the phenomenon being measured.

Discriminant validity can also be determined by the AVE value of the method which aims to test the reliability of the construct variable. AVE aims to determine that the variables built have a good Discriminant Validity value. The AVE value is declared satisfactory if >0.5. The results of the AVE test are shown in the following table:

**Table 6. Latent Constructor Value**

| | (AVE) |
|---|---|
| GCG | 1.000 |
| Keputusan Investasi | 0.989 |
| Keputusan Pendanaan | 0.987 |
| Moderasi GCG pada Kep. Investasi | 1.000 |
| Moderasi GCG pada Kep.Pendanaan | 1.000 |
| Nilai Perusahaan | 1.000 |

Source: PLS Data Processing Results, 2022.

The results of the AVE value for the indicator block that measures the latent variable have good discriminant validity because the AVE value is above 0.5. this shows that all variables have good discriminant validity.

**The Reliability Test**

Reliability is a measure of internal consistency and an indicator of a construct that shows the degree to which each indicator indicates a common construct or latent factor. Measuring the reliability of a construct with reflective indicators can be done in two ways, namely with Cronbach's Alpha and Composite Reliability. Rule of Thumb to assess construct reliability is Composite Reliability value must be greater than 0.70.

**Table 7. Reliability Test**

| | Cronbach's Alpha | Composite Reliability |
|---|---|---|
| GCG | 1.000 | 1.000 |
| Keputusan Investasi | 0.989 | 0.994 |
| Keputusan Pendanaan | 0.987 | 0.994 |
| Moderasi GCG pada Kep. Investasi | 1.000 | 1.000 |
| Moderasi GCG pada Kep.Pendanaan | 1.000 | 1.000 |
| Nilai Perusahaan | 1.000 | 1.000 |

Source: PLS Data Processing Results, 2022.

Based on the measurement data in the table above, it can be seen that all latent variables have Composite Reliability values > 0.70. Each variable has met composite reliability in measuring the measured latent variable/construct so that it can be used in further analysis.

**Structural Model Testing (Inner Model)**

**Table 8. R Square ($R^2$)**

| | R-Square | Adjusted R-Square | Q-Square |
|---|---|---|---|
| Nilai Perusahaan | 0.997 | 0.997 | 0.994 |

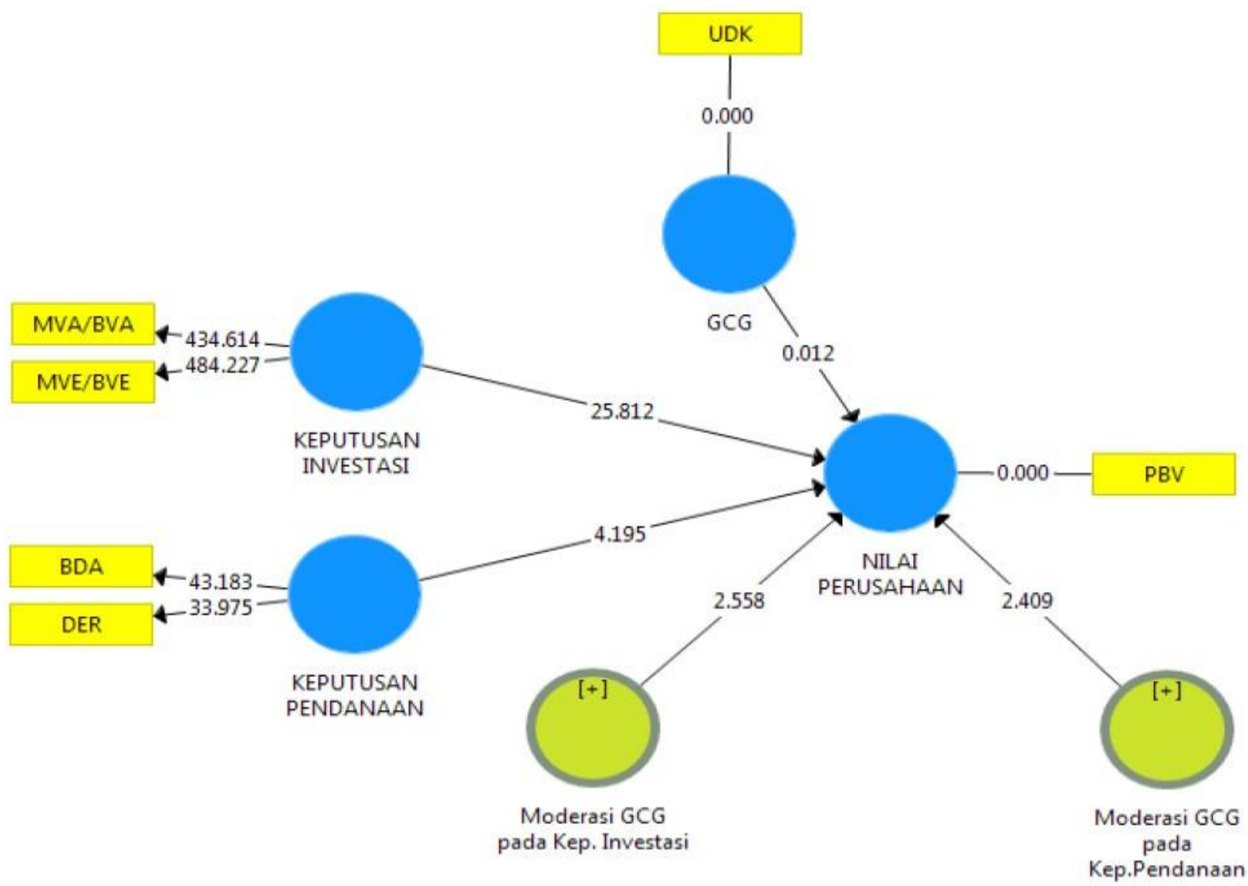
Source: PLS Data Processing Results, 2022.

The evaluation of the inner model or structural model is to assess the relationship between latent constructs by looking at the results of the R-square value which is the goodness fit test of the model and the estimated path parameter coefficients with the level of significance used to test the research hypothesis. Before testing the hypothesis, the structural model assessment must be carried out by looking at the criteria for the R-Square value where values >0.75 are strong models, 0.50 are moderate, and 0.25

are weak. R-Square value > 0 indicates the model has predictive relevance, otherwise if the R-square value 0 indicates the model lacks predictive relevance.

Obtained an R-square value of 0.997 for the Firm Value variable. That is, the dependent latent variable of Firm Value can be explained by the independent latent variable Investment Decision (X1), Funding Decision (X2) and Good Corporate Governance (Z) of 99.7%, while the rest is explained by other variables outside the study. It is known that the value of Q-Square (Q2) is 0.994. That is, the accuracy or accuracy of this research model can explain the diversity of the independent latent constructs of Investment Decisions (X1), Funding Decisions (X2) and Good Corporate Governance (Z) on the dependent latent construct of Firm Value of 99.4%. So, the model formed has a strong model accuracy because the value is above 75%. Hypothesis testing in this study was conducted by testing the effect of significance between variables on the path coefficient parameter and the significance value (t-statistics). The test is done by calculating the Boostrapping Algorithm on the SmartPLS 3.3.9 software.

**DISCUSSION**




Source: PLS data processing results, 2022.

**Figure 4. Boostrapping**

**Table 9. Path Coeffisien**

| | Sampel Asli (O) | Rata-rata sampel (M) | Standar deviasi (STDEV) | T-Statistik (\|O/STDEV\|) | P Values | Keterangan |
|---|---|---|---|---|---|---|
| GCG> Nilai Perusahaan | 0.000 | 0.000 | 0.012 | 0.012 | 0.991 | Tidak signifikan |
| Keputusan Investasi > Nilai Perusahaan | 0.886 | 0.885 | 0.034 | 25.812 | 0.000 | Signifikan |
| Keputusan Pendanaan > Nilai Perusahaan | 0.056 | 0.058 | 0.013 | 4.195 | 0.000 | Signifikan |
| GCG* Keputuasan Investasi > Nilai Perusahaan | 0.055 | 0.064 | 0.022 | 2.558 | 0.000 | Signifikan |
| GCG* Keputuasan Pendanaan > Nilai Perusahaan | 0.042 | 0.042 | 0.017 | 2.409 | 0.000 | Signifikan |

Source: PLS Data Processing Results, 2022.

**Results of Investment Decision Analysis on Firm Value.**

The results of the analysis show that investment decisions have a significant positive effect on firm value as evidenced by the t-statistic 25,812 which is greater than t-table 1.96 with a significance level of 0.000 less than 0.05 (significance level 5%). The original sample value of 0.886 explains that the relationship between investment decisions and firm value has a positive direction, meaning that each increase in the value of investment decisions by 1 unit will increase the firm value. Thus, the first hypothesis is accepted.

The increase in investment shows good news for investors to invest so that it increases the share price which is then followed by an increase in firm value. This is in accordance with the signaling theory in which the company in an effort to optimize the value of the company by spending high funds for future investments that can affect the growth of company assets that have a positive net present value gives a good signal to investors. The results of this study are in line with research conducted by Tito Gustiandika, Doni Stiadi and Meina Wulansari, Ulfi Pristiana et al. and Amilia which state that investment decisions have a significant positive effect on firm value [4][17][13][12]. However, the findings of this study are different from Nova Reksata Sari and Wahidawati and Shella Febrita Sari which state that Investment Decisions have no effect on firm value [16][15].

**Results of Analysis of Funding Decisions on Firm Value.**

The results of the analysis show that the funding decision has a significant effect on firm value as evidenced by the t-count value of 4.195, which is greater than t-table 1.96 and the significance level of 0.000 is less than 0.05 (5% significance level) and the original sample value is positive at 0.056 indicating that the direction of The relationship between funding decisions and firm value is unidirectional. Each increase in the value of the funding decision by 1 unit will increase the firm value. Thus, the first hypothesis is accepted.

Capital structure theory explains that funding by using debt can increase firm value because the interest paid on loans can reduce tax deductible which can provide benefits to shareholders. As long as the benefits obtained in the use of debt are greater than the costs incurred in the use of debt, it can increase the value of the company to the optimal point, if it exceeds the optimal point, it can reduce the firm value. Balancing theory explains that funding with debt in the capital structure will increase firm value by balancing the benefits and costs arising from the use of debt. Therefore, the company must use debt that can minimize the cost of capital which is called the optimal capital structure. Signaling Theory explains that the use of debt can also provide a positive signal for investors because the increase in debt is seen as the company's ability to pay its obligations in the future. The existence of this positive signal makes more and more investors invest which will increase the stock price so that it has an impact on increasing the firm value.

The results of this study are in line with research conducted by Tito Gustiandika, Hendrianto et al., and Elmayola Suchandiko et al., that funding decisions have a significant effect on firm value [4][7][18]. However, this is in contrast to research conducted by Doni Stiadi, Nova Reksita Sari and Wahidawati, Amilia Jasmin and Lorensia Fidela Charita [17][16][12][3].

**Results of GCG Moderation Analysis on Investment Decisions on Firm Value.**

The results of the analysis show that GCG moderates the effect of investment decisions on firm value significantly as indicated by the t-statistic value of 2.558 which is greater than t-table 1.96 with a significance level of 0.011 less than 0.05 and the original sample value is positive at 0.055. So, the third hypothesis is accepted.

Theoretically, GCG is applied to provide supervision to the company's management in managing the company to provide prosperity for its shareholders or maximize the value of the company. Agency theory explains that GCG is needed because of the contractual relationship between the principal (the owner of the company) and the agent (management) and the differences in the interests of each party which can lead to conflicts of relations and differences in the interests of the two parties. The implementation of GCG is needed to create a conducive relationship and align the interests of the owner of the company with the management in realizing good company performance, which in turn supports the increase in firm value [11]. The implementation of GCG with a good management system can provide benefits as decision makers who emphasize the company's financial decisions. Investors tend to choose companies with good GCG implementation because it allows the sustainability and growth of the company to be more guaranteed so that investors are very concerned about the implementation of GCG in making investment decisions. If the management of the company is good, the influence of investment decisions on firm value will be even greater, which means that the investment decisions made will improve company performance which has an impact on increasing Firm Value[12].

**Results of GCG Moderation Analysis on Funding Decisions on Company Value.**

The results of the analysis show that GCG moderates the effect of funding decisions on firm value significantly as indicated by the t-statistic value of 2,409 which is greater than t-table 1.96 and the significance level of 0.016 is less than 0.05 and the original sample value is positive at 0.042, then the fourth hypothesis is accepted. Good GCG implementation by the company will provide supervision to the company's management who are more capable of controlling and managing debt utilization effectively to increase the profits earned so as to provide prosperity for its shareholders [4].

## CONCLUSION

Based on the results of the analysis and discussion that has been described by the author above, the following conclusions can be obtained:

1. Investment Decisions have a significant positive effect on Firm Value.
2. Funding Decisions have a significant positive effect on Firm Value.
3. Good Corporate Governance moderates the effect of Investment Decisions on firm value.
4. Good Corporate Governance moderates the effect of Funding Decisions on firm value.

## SUGGESION

For further researchers who take the same research topic, it is better to add a larger sample size and expand to other sectors of companies listed on the IDX, increasing the number of variables and an observation period of more than four years. With the number of samples, sectors and periods of observation will make research results even better, so that they can contribute more to the field of science, especially economics and for other researchers.

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