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## ANALYSIS OF THE IMPLEMENTATION OF FINANCIAL MANAGEMENT POLICIES AND THEIR EFFECT ON COMPANY VALUE

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**Abstract:** *The rapid development of technology is in line with the rapid business competition, so that companies are required to continue to improve company performance by maximizing value. This discussion has the benefit of having an impact on financial management policies on firm value. This discussion use quantitative research methods, financial management policies are wearing measurements were carried out the ratio of capital expenditure to the book value of assets while the company value is proxied by ROE. The method of collecting data is carried out using the library as well secondary data on the BEI website. The population at this discussion is a bank company listed on the IDX during the period 2019-2022 period. 96 sample used using purposive sampling technique. Data collection obtained were then wear analysis was carried out multiple linear regression analysis. The results of this research show that there is stewardship that is significant between money management policies variables on firm value.*

**Keywords:** *policy, financial management, corporate values*

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### INTRODUCTION

The development of information technology has now formed a new era in the audience environment, not spared from business, now entrepreneurs use information technology to develop their business (Siregar & Nasution, 2020). The rapid development of technology is in line with the rapid business competition, so companies are required to continue to improve company performance by maximizing company value. A company is built to provide an increase in the assets of company owners or shareholders, so that almost all companies have the core purpose of providing company value benefits (Vernando & Erawati, 2020). Optimizing company value is very crucial for a company, because through optimizing company value means also optimizing the welfare of stock owners which is the company's core intention. The value of the company is proven through the company's share price. Stocks that are so popular because the level of return given can be in the form of profit sharing to capital owners according to the number of shares owned, and capital gains, are profits obtained through price increases (Irawan et al., 2022). The greater the company's share price so that the greater the company's value (Wongso, 2013).

Company value is determined through three core factors, namely internal company, external and technical factors. Internal and external factors are core factors that are often used as a basis for deciding by investors in the capital market. The technical factors have relatively technical and psychological properties, such as stock trading valuations, buying and selling values, and the tendency to increase or decrease prices. Elements of receivables are equivalent as an alternative so that companies do not issue new shares due to the large cost of issuing new shares (Novitasari & Andayani, 2021).

There are various efforts to maximize company value, including by establishing financial management policies. Financial management has a function to decide investment, decide spending and dividend policy (Sartono, 2001). Optimization of company value can be achieved through the implementation of the role of financial management, where one financial provision that is decided then has an influence on other financial provisions and has an impact on company value (Wijaya et al., 2010). The greater the share price, the greater the value of the company. Large company value as the will of company owners, because through large values prove the welfare of shareholders is high.

The three core policies in financial management are funding, investment and dividend policies

(Morrow, 2007). The three financial management policies cannot be implemented partially, all three are equally related. The amount of investment that is then funded by the company then affects the funds that must be provided to finance it. If the three policies can be implemented properly, so that company value can be achieved properly (Cahyaningdyah, 2012). According to the background of these problems, the reviewer has an interest in carrying out an assessment entitled "Analysis of Financial Management Policy Implementation and Its Impact on Company Value."

## MATERIALS AND METHODS

This study used quantitative assessment methods. Financial management policy is measured by the ratio of capital expenditure to book value of assets, while company value is proxied through ROE. Collection techniques are carried out through literature studies and secondary data on the IDX website. The population in this study is banking sector companies listed on the IDX in 2019-2022. The sample selected was 96 through the method of determining purposive sampling samples, argued Creswell (2008), in qualitative studies, objects / participants who were then studied determined by the reviewer was to choose / select the best individual or location that could provide our help to understand a phenomenon. The criteria for determining the sample include banking sector companies listed before the research period. The data obtained after that was analyzed using multiple linear regression analysis.

The method of analyzing the data used is the Multiple Regression Formula (Nurgiyantoro, et al, 2004: 300):

$$Y = \alpha + bX + e$$

Where:

Y = Company Value

a = constant

b = regression coefficient

X= Financial Management Policy

e = error

## RESULTS AND DISCUSSION

### Descriptive Test

Descriptive tests are used to identify crucial sensory characteristics in a product and provide information related to the intensity of those characteristics (Permadi et al., 2019).

**Table 1.** Descriptive Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Kebijakan Manajemen Keuangan	96	6.00	15.00	11.2500	2.61976
Nilai Perusahaan	96	4.00	20.00	13.8333	4.57836
Valid N (listwise)	96				

Based on the results of the study, it can be described that the minimum value of financial management policy is 6.00 and the maximum number is 15.00, the average number is 11.25 and the standard deviation is 1.6. While the company value produces a minimum value of 4.00 and a maximum of 13,833 and a standard deviation value of 4.57.

### Multiple Linear Regression Test

The purpose of multiple linear regression analysis is to find out how much influence some independent variables have on non-free variables and also predict the value of non-free variables if all

independent variables have been found to have values (Fatkhurrozi et al. , 2021).

**Table 2.** Multiple Linear Regression Results

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.402	1.316		-1.066	.289
	Kebijakan Manajemen Keuangan	1.354	.114	.775	11.887	.000

a. Dependent Variable: Nilai Perusahaan

According to the acquisition of the analysis, a significant value of  $0.00 > 0.05$  was obtained so that it can be partially concluded that the Financial Management Policy (X) has a positive influence and significance on the Company Value (Y).

**Determination Coefficient Test**

The Coefficient of Determination ( $R^2$ ) aims to test how much the ability of the independent variable to influence the dependent variable. After carrying out observations, they were divided into several sub-groups, carrying out regression in investigating correlations between variables (Rian, 2022).

**Table 3.** Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.721 <sup>a</sup>	.541	.533	.541245

Table 3 proves that the value of R Square = 0.541 means that the correlation between the independent variables of Financial Management Policy and variables tied to Company Value is 54.1%. The value of R Square = 0.541 means that 54.1% of the variable Company Value can be explained by Financial Management Policy variables, while the remaining 45.9% is explained through other variables that are not studied in this study.

**F Test Results**

The F test has the purpose of finding whether the independent variable simultaneously influences the dependent variable. F testing is carried out to determine the influence of all independent variables together in the dependent variable. The level used is 0.5 or 5%, if the significant number  $F < 0.05$  so that it can be interpreted that the independent variable simultaneously influences the dependent variable or vice versa (Meiryani, 2021).

**Table 4.** F Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	123,764	2		218,138	.000
1 Residual	103,791	375	71.660		
Total	227,555	377	.281		

According to the acquisition of concurrent hypothesis testing (F test) in table 2, the  $F_{count} > F_{table}$  is ( $218.138 > 3.02$ ) and the significant level is  $0.000 < 0.05$ . This matter indicates that the independent variable of Financial Management Policy affects Company Value. While the magnitude of the influence of the independent variable, namely, Financial Management Policy on Company Value.

**Test Results t**

The t test is to test how each independent variable affects itself in the dependent variable. This test can be carried out by comparing t count and t table or by reviewing the significance column in each t count (Hidayat, 2018).

**Table 5. Test Results t**

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Kebijakan_Manajemen_Keuangan	79.139	34	.000	80.64829	78.5565	82.6511

Based on the results of the t test by looking at the level of significance 5% = 0.05 shows that there is an influence of Financial Management Policy on Company Value.

Company values provide a reflection of the company's current condition and can provide an overview of the company's prospects in the future. For companies that have gone public, the value of the company is determined through the mechanism of demand and supply in the past, which can be known at the stock market price (Herninta, 2019). Financial managers can fulfill shareholders' assumptions of good performance through the formation of quality strategies that are difficult to match their competitors. Financial management is among the areas that can be used to increase the value of the company with decided discretion.

According to the assessment results, it can be described that the minimum value of financial management policy is 6.00 and the maximum number is 15.00, the average number is 11.25 and the standard deviation is 1.6. While the company value produces a minimum value of 4.00 and a maximum of 13,833 and a standard deviation value of 4.57. Then analyzed so that a significant value of 0.00 > 0.05 is obtained so that it can be partially concluded that the Financial Management Policy (X) has a positive influence and significance on the Company Value (Y).

In testing the coefficient of determination, the number R Square = 0.541 means that the correlation between the independent variables of Financial Management Policy on variables tied to Company Value is 54.1%. The value of R Square = 0.541 means 54.1% of the variable Company value. Meanwhile, in the F test, the  $F_{count} > F_{table}$  is (218.138 > 3.02) and the significant level is 0.000 < 0.05 and the level of significance is 5% = 0.05 with the t test showing the influence of Financial Management Policy on Company Value.

The acquisition of this study was also supported through the study of Cahyaningdyah (2012) which proved the significant influence between financial management policy variables on company value.

The objectives of financial management according to Fary (2022) are as follows.

- 1) Maintain smooth cash flow: In the implementation of a business, financial managers are required to monitor the entry and exit of company cash. When financial managers fail to monitor the company's cash flow, so that operations then stall and have the potential to lose money. Because the cash is useful to meet the company's operational needs such as paying labor wages, rent, buying materials, and logistics. Then, financial managers can also decide financially to develop the business using the cash. Also, it takes a good strategy.
- 2) Surviving tough times: There are many things that can make a business sway. Not just competing, but also can be due to the global crisis. In order to maintain the continuity of the company and prevent swelling costs due to the global crisis, financial managers are required to implement quick decisions and establish the latest policies to minimize business expenses.
- 3) Collecting reserve funds: As a method of anticipation, financial managers are also required to prepare reserve funds to maintain the running of the company and unwanted bad things. The initial stage that can be carried out is to take a few percent of the total profit that can be improved to shareholders. Then save it into a reserve fund that can be used when urgent.
- 4) Managing Capital Structure: Aligned capital budgeting must also be reviewed. Through good

financial management, a company should align between capital budgets and borrowed funds. This has a purpose so that leverage is not so high.

- 5) Maximizing profits: The figure of a financial manager must be able to make good financial decisions, and manage expenses well to optimize company profits.
- 6) Capital Efficiency: Money management aims to obtain the maximum possible profit through a low level of risk.
- 7) Increase Company Value: Increasing profits is not always in line with increasing company value. If profits increase, but not for the value of the company, so that the goals of financial management have not been fully achieved. When the company's stock price increases, the company's value increases. The increase in company value then provides an increase in shareholder wealth.

Then, the function of financial management according to Indriashari (2015) is to supervise costs, decide on price policies, predict future profits, measure the cost of working capital. Financial management is the management of financial functions.

These financial functions include how to get funds and how to use them. Financial managers have an interest in establishing good total assets through investments in various assets and determining funding sources to spend those assets.

## CONCLUSION

Significant technological developments also have an impact on business competition that continues to increase, this business competition needs to be overcome among others by implementing financial management policies including fund policies, investment and dividends. The application of this policy is expected to provide an increase in company value, this is shown through the acquisition of an assessment that gives a significance value of 0.000 which means that financial management policy (X) has a significant effect on company value (Y).

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