THE INFLUENCE OF INTERNAL CONTROL ON CAPITAL INVESTMENT DECISIONS (CASE STUDIES ON COMPANIES REGISTERED IN THE WEST JAVA AND OTHERS CHAMBER OF COMMERCE IN BANDUNG)

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ABSTRACT

This study aims to determine the effect of internal control on capital investment decisions in companies registered with the West Java Chamber of Commerce and Industry in Bandung. The research method applied is in the form of a descriptive analytical survey method, while the sample used is 32 respondents. The variables studied from each respondent are internal control and capital investment decisions. The type of data collected is primary data. The results of the study identified that internal control has no effect on capital investment decisions. The object of this research is the sample of respondents used which is still limited to companies registered with the West Java Chamber of Commerce and others in Bandung, therefore it is necessary to carry out further research based on more varied sampling with a longer duration, in order to obtain generalizable results.

Key words: internal control; capital investment decisions; company

I. INTRODUCTION

In the condition that Indonesia and abroad are still suffering from the COVID-19 pandemic, the business world is struggling and improving itself with all its capabilities, so that it can maintain and fight for the efforts it has initiated to continue to exist. Some of the business world has to survive with all its efforts and efforts, so as not to close their business, so that they have not thought about how to raise capital investment in the future, but by maintaining the company's operational wheels, it shows that the company has been considered successful in its performance, so that it is expected to run smoothly. The operations it carries out make the company's performance first priority can be achieved, the next step is to think about how to adjust the funding structure through options to obtain external funding, or take advantage of the company's internal profit fundamentals. Some other companies that have been able to carry out operational and funding policies, have begun to plan to make various decisions regarding the accumulation of their company's capital investment. This research emphasizes the preparation of companies in strategies and decisions on how to collect investment for the continuity of their business, one of the main pillars of business is in the production sector. The entrepreneur's goal in realizing the means of production is to obtain profits from the production activities he undertakes in the future. This means that investments made in the present are closely related to the prospect of gaining profits in the future, thus the decision to collect corporate capital investment must be placed in the corridor of a central policy that must continue to be under high-level management control, in other words internal control has an effect. Dominant and priorities in securing any capital investment decisions are on the right track to the target of the board of directors. Like internal control according to COSO (2013: 3), That the processes under the authority of the board of directors, management and other personnel are set to provide sufficient guarantees in relation to efforts to achieve good objectives of operation, reporting, and compliance with regulations. So that internal control is a process carried out by the board of commissioners, management and employees to provide confidence that the company's
goals are achieved through effective and efficient operational control, reliability of financial reports and compliance with applicable laws, so it can be said that internal control has elements of elements that represent what is needed in achieving company goals and have a direct relationship between the goals to be achieved by the company. So it can be explained that internal control is an activity to prevent risks to minimize losses that may arise from a company's activities so that action can be taken immediately. the aim of improving the quality of the company in order to match the objectives that have been set. To create an internal control, it must pay attention to factors that can affect the overall objectives of the company, this leads to the projection of control activities, where these supervisory activities are various processes and efforts to enforce the supervision or control of the company's operations. From the The formulation of COSO, it can be explained that the basis for the realization of internal control in the control environment consists of a group of standards, processes, and structures. The need for internal control directives, including standards of behavior. Direction is carried out by the board of directors and senior management in providing examples and guidance related to the control environment which consists of ethical values and organizational integrity; and this becomes the parameter that makes the board of directors to apply supervisory responsibilities in the running of the organization; organizational structure and assignment of authority and responsibility; the process of attracting, developing, and retaining competent individuals, performance measures, incentives, and rewards. Internal control is focused on identifying the existence of fraud in the company's business, because basically fraud is an act that violates the law and can harm various parties. Fraud is something that is difficult to eradicate, even corruption in Indonesia has been carried out systematically so that it needs a systematic handling. However, we must be optimistic that fraud can be prevented or at least can be reduced by implementing anti-fraud controls, because the main factor of fraud is "human" for various reasons from within himself for committing despicable acts (Valery, 2011: 135). So that with a reliable internal control. It is expected to produce an effective and targeted decision-making process in terms of corporate capital investment. considering this background, the researcher is interested in conducting research with the title "The Effect of Internal Control on Capital Investment Decisions (Case Studies on Companies in West Java Chamber of Commerce and Industry and others in the city of Bandung"

Restricting the problem

Consider the background to the problem in the previous discussion, then identified problems can be described as follows:

1. With the COVID-19 pandemic still being plagued by the COVID-19 pandemic, some companies are trying hard to find solutions and breakthroughs to raise capital investment, as a buffering measure to continue to exist and maintain their business ..
2. In the era of digitalization 4.0 in this decade, efforts to raise capital to invest require the right decision, but this is constrained by not many companies using information technology, so the decisions made do not produce accurate information with limited space and data.
3. The limitations of making correct decisions, including decisions in the collection of company capital investments, are due to inadequate internal controls, especially those based on the risks needed today, and this results in doubts that internal control implemented by management will effectively contribute to the investment decision-making process.
4. The survey is still limited to companies in West Java Chamber of Commerce and others in Bandung.
5. This study uses primary data and distributes questionnaires to companies in West Java Chamber of Commerce and others in the city of Bandung, in order to find out how respondents respond to internal control and capital investment decisions.

Formulation of the problem

On the basis of problem identification in the previous description, the problem formulations can be identified as follows:

1. What is the respondent's perception respond to internal control at companies in West Java Chamber of Commerce and others in Bandung.
2. How do respondents respond to capital investment decisions in companies in West Java Chamber of Commerce and others in Bandung.
3. How is the influence of internal control on capital investment decisions in companies in West Java Chamber of Commerce and others in Bandung.
II. LITERATURE REVIEW

Basic theory

Internal control is a process and procedure that is carried out to provide adequate assurance that control objectives have been met (Romney, 2014: 226), further according to (Mulyadi, 2014: 163), that Internal control includes organizational structure, coordinated methods and actions, with the aim of protecting organizational assets, checking the accuracy and reliability of accounting data, increasing efficiency, and encouraging compliance with management policies. According to Amin Widjaja Tunggal (2013: 24): "Internal control is a stage carried out by the board of commissioners, management, and other personnel of an entity which is formulated to provide adequate guarantees regarding the achievement of the following objectives: (a) the effectiveness and efficiency of the company's operations, (b) the effectiveness of financial statements, and (c) compliance with applicable laws and regulations. According to Romney (2015: 216) the definition of internal control is: "Internal control is the process implemented to provide reasonable assurance that the following control objectives are achieved. A process it permeates an organization's operating activities and is an integral part of management activities." According to Romney, by Kikin Sakinah (2015: 226) that internal control is: "Internal control is a process that is carried out to provide adequate assurance that control objectives have been achieved. A process because it spreads throughout the company's operating activities and is an integral part of management activities. " The definition of internal control according to Hery (2014: 11), namely: “Internal control is a set of policies and procedures to protect company assets from all forms of misuse, ensure the availability of accurate corporate accounting information, and ensure that all legal or statutory provisions (regulations), and management policies have been followed or implemented properly by all company employees. In the Executive Summary issued by COSO (2013: 3) in May 2013 defines internal control as follows: “Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. ”. According to Alvin A. Arens, Randal J. Elder and Mark S. Beasley translated by Herman Wibowo (2011: 370) that internal control has three general objectives that are effective, namely: 1. reliable financial reporting, 2. effective and efficient operations, 3. compliance with laws and regulations. Description of each control objective in the form of: - Reliability of financial reporting. Management has an interest in presenting reports for investors, creditors and other users. Management has the legal and professional responsibility to determine that information is presented fairly to comply with generally accepted accounting principles (GAAP). The purpose of internal control is aimed at the effectiveness of financial reporting, especially to fulfill this financial reporting accountability. - Efficiency and effectiveness of operations. Control within the company organization will spur the efficient and effective use of resources, in order to achieve optimal company goals. This control has an important objective to obtain accurate financial and non-financial information on operations for the purpose of the decision-making process. - obedience to the law and regulations. In addition to complying with legal requirements, public, non-public, non-profit organization subject to various laws and regulations. Few have something to do indirectly with accounting, for example environmental protection laws, as well as civil rights, while those related to accounting are income and fraud provisions. According to Hery (2014: 160) the purpose of internal control is none other than to provide adequate assurance that: a. Assets owned by the company have been properly secured and are only used for the benefit of the company only, not for the benefit of individuals (individuals), certain employees. Thus, internal control is implemented so that company assets can be properly protected from fraud and individual interests. b. company accounting information is available accurately and reliably. This is done by minimizing the risk of either intentional or unintentional misstatement of financial statements (negligence). c. Employees have complied with laws and regulations. According to Mulyadi (2014: 163), the main objectives of internal control are: 1. Maintaining the company's organizational assets 2. Checking the accuracy and adequacy of accounting data 3. Maintaining efficiency 4. Encouraging compliance with leadership policies.

According to COSO, there are several control activities implemented by the company, namely: a. Authorization of transactions and activities (appropriation of transactions and activities) b. Division of duties and responsibilities (segregation of duties) c. Design and use of adequate documents and records d. Adequate protection of company assets and records (adequate safeguards of assets and records) e. Independent examination of company performance3. Understanding the risk or risk assessment The company's management must be able to identify the various risks faced by the company, so that preventive measures can be taken to reduce the losses that may arise. The risk groups faced by the company, namely: a. Strategic risk is doing an activity in the wrong way so that the company cannot achieve its goals properly. b. Financial risk, namely the risk of facing financial losses such as waste and theft of money c. Information risk, namely producing irrelevant...
information, misinformation, or even untrustworthy information systems. 4. Information and communication
Companies must know the duties of each employee, for example employees who record sales transactions, send
invoices to buyers and receive money payments. This is done so that companies can track employees who are
likely to commit fraud. 5. Monitoring or monitoring Monitoring is when an activity runs not in accordance with
what is expected to be taken as soon as possible. The form of monitoring in the company can be carried out by
one (or all) of the following procedures: a. Effective supervision (effective supervision), namely, providing
guidance to employees. b. Responsibility accounting, namely, implementing an accounting system that can be
used to assess the performance of each manager, department and process run by the company. This is done so
that employees can work well. c. Internal audit (internal auditing), namely auditing carried out by auditors within
the company to assess the system run by the company and to provide reports to management regarding proposed
improvements so that management can immediately request to improve the system. The implementation of
internal control certainly has a function, below there is an internal control function according to Romney (2014:
227), which is as follows: a. Preventive control (preventive control), namely, internal control that is carried out
before the problem arises. For example, namely, the making of regulations in carrying out company activities. b.
Detective control (detective control), namely, internal control that is carried out to detect problems that have
arisen. For example, namely, auditing regularly. c. Corrective control (corrective control), namely, internal
control to identify and fix problems and recover from these errors. For example, namely, repairing a damaged
system. The main The elements of internal control according to Mulyadi (2014: 164) are as follows: a. Organizational structure that clearly separates the existence of functional responsibilities b. A system of authority
and recording procedures that guarantees adequate protection of wealth, debt, income and expenditure c. The
existence of healthy practices in carrying out the duties and functions of each organizational unit d. Employees
with quality in accordance with their responsibilities. In COSO (2013: 4) describes the notion of the control
environment as follows: “The control environment is the set of standards, processes, and structures that provide
the basis for carrying out internal across the organization. The board of directors and senior management
establish the tone at the top regarding the importance of internal control including expected standards of conduct.
Management reinforces expectations at the various levels of the organization. The control environment comprises
the integrity and ethical values of the organization: the parameters enabling the board of directors to carry out its
governance oversight responsibility; the process for attracting, developing, and retaining competent individuals;
and the rigor around performance measures, incentives, and rewards to drive accountability for performance.”
Furthermore, COSO (2013: 7) states that there are 5 (five) principles that must be carried out within the
organization to support the control environment, “Risk is defined as the possibility that event will occur and
adversely affect the achievement of objectives. Risk assessment involves a dynamic and iterative process for
identifying and assessing risk to the achievement of objectives, risks to the achievement of these objectives from
across the entity are considered relative to established risk tolerances. Thus, risk assessment from the basis for
determining how risks will be managed. A precondition to risk assessment is the establishment of objectives,
linked at different levels of the entity. Management specifies objectives within categories relating to operations,
reporting, and compliance with sufficient clarity to be able to identify and analyze risks to those objectives.
Management also considers the suitability of the objectives for the entity. Risk assessment also requires
management to consider the impact of possible changes in the external environment and within its own business
model that may render internal control ineffective.” The inherent limitations inherent in every internal control as
stated by Amin Widjaja (2013: 26), namely: 1. Management overrides internal control, the control of an entity
may be overridden by management. 2. Unintentional mistakes by personnel, the internal control system is only
effective if the personnel who implement and implement controls are also effective. 3. Collusion, the
effectiveness of the separation of functions lies in the individual's own performance of the tasks assigned to them
or the implementation of one's work being examined by another person. There is often a risk that collusion
between individuals will undermine the effectiveness of the separation of tasks. According to Azhar Susanto
(2013: 110) there are several limitations of internal control, so that internal control can experience the following
conditions: a. Error (Error) It is an error that arises when employees make considerations, one of which is divided
into their concerns during work. b. Collusion Collusion occurs when two more employees conspire to commit
theft (corruption) in their place of work. c. Management Deviation. Because the managers of an organization
have more authorizations than ordinary employees, process control is effective at the lower management level,
not at the top level. d. Benefits and Costs (Cost and Benefit) The concept of assurance that is convincing or
reasonable implies that the costs of internal control do not exceed the benefits it generates. Reasonable controls
are controls that produce benefits that are higher than the costs incurred to carry out these controls. Sukrisno
Agoes (2012: 106) states that: "The factor limiting internal control is the cost of internal control which should not
exceed the expected benefits of controlling the entity. Although the cost-benefit relationship is a major criterion
that must be considered in designing internal control, the precise measurement of costs and benefits is generally carried out. Therefore, the management of qualitative and quantitative estimates all considerations in assessing the cost-benefit relationship. "The definition of fraud according to Tuanakotta (2007: 96), namely: "Fraud can be defined as an illegal act committed by people from within or outside the organization, with the intention of obtaining personal and / or group benefits that directly harm other parties. " The Association of Certified Fraud Examiner in (Karyono, 2013: 3) states that: "Fraud is an intentional untruth or dishonest scheme used to take deliberate and unfair advantage of another person or group of person it includes any mean, such cheats another. with lies deliberately committed by someone to gain an advantage by presenting something that is not in accordance with the actual situation. It includes elements of trickery, cunning and dishonesty that harm others). "

According to Hiro Tugiman (2008: 3) the definition of fraud is as follows: "Fraud is defined as a deviation or illegal act committed intentionally for a specific purpose. Deceiving or giving wrong for personal or group gain unfairly, either directly or indirectly harming other parties." According to Karyono (2013: 8) there are several theories that explain the factors that cause fraud, namely: 1. Theory C = N + K 2. The Fraud Triangle Theory 3. GONE Theory 4. Monopoly Theory (Klinggard Theory) The explanation of these theories can be described as follows: 1. The theory C = N + K This theory is known in the police force which states that crime (C) equals intention (N) and opportunity (K). simple and clear because even if there is an intention to commit fraud, if there is no opportunity it will not happen, and vice versa. The opportunity lies with a person or group of people who has the authority to authority and access to the object of fraud. The value of the action is determined by morality and integrity. Fraud Triangle Theory In the triangle theory, fraud behavior is supported by three elements, namely pressure, opportunity and justification. e.e fraud) and by managers (management fraud) and the urge occurs, among others, due to: - Financial pressure, - Bad habits - Work environment pressure, - Other pressures such as pressure from husband / wife to own luxury goods. b. Opportunity Opportunities arise because of weak internal controls in preventing and detecting fraud. Opportunities can also occur due to weak sanctions and an inability to assess the quality of performance. c. Justification (Rationalization) The perpetrator of fraud seeks justification when: - The perpetrator considers that what has been done is something other people usually do. - The perpetrator feels that he is responsible for the organization and he should receive more than he receives. 30 - Perpetrator considers his good intention to solve the problem and it will be returned late.

According to the 2006 Examination Manual from the Association of Certified Fraud Examiners followed by Karyono (2013: 17), fraud consists of four major groups, namely: 1. Fraudulent Statement 2. Asset Misappropriation 3. Corruption (Corruption) 4. Computer-related fraud. Investment in the macro economy according to Norido Canda Sakti (2010) can be divided into two parts, namely: 1. Autonomous investment (autonomous investment) Investment that is not influenced by increases in national income and interest rates. In other words, investing when the income or interest is equal to zero. Autonomos investment can also be interpreted as an investment whose size is not influenced by income, but can change due to changes in factors outside of income (technology, government policies, and entrepreneurial expectations). University of North Sumatra 2. Influenced investment (induced investment) investment is influenced by national income, the higher the national income, it will also increase people's income, if the people's income is high, it will increase the demand for goods and services, this has implications for higher company profits and of course this will spur more investment. big.According to Samuelson (2011), investment includes the addition of capital stock or goods in a country, such as production equipment buildings, and inventory items within one year. Investment is a step to sacrifice consumption in the future. Statistically, investment or expenditure to buy capital goods and production equipment can be divided into 4 components, namely: investment in private companies, expenses for building a residence, changes in company inventory and investments made by the government. the prospect of obtaining a decent profit in the future, the higher the investment it does in the present (Gunawan, 2009).

According to Anjani (2012) Investment as a commitment to invest a number of funds in one or more assets for several periods in the future. Funds that are invested in the capital market are “excess funds”, not funds that will be used for daily needs and also not funds that are used as reserve funds or funds for emergency purposes. The purpose of investing must be clear, from what are the objectives. Saragih in Anjani (2012) states that investors can invest in various types of assets, both real assets and financial assets. Several types of investment include: 1. Long-term investment Long-term investment is investment in the form of stocks, bonds, land, and other forms owned by investors for a period of more than one year. Long-term investing itself consists of investing in securities, such as bonds, common stock, or long-term notes. Investments in the form of fixed assets that are currently used in speculation, such as ownership of land used for speculation. Investments are reserved for special funds, such as repayment funds, pension funds or funds used for factory expansion, and cash
According to business expansion, this investment represents expenditures to increase production or operating capacity that fit certain criteria. For example, there is waste water due to the production process that is discharged from the factory, resulting in environmental pollution, so the government requires companies to solve the problem, in the form of investing in building installations to clean wastewater before it is discharged outside the factory. And this is an obligation for companies that must be fulfilled, this investment will ignore economic considerations for these expenses. Investments whose returns are difficult to measure, even though this investment is to create profits, but the profits that the company hopes will be obtained, are in fact difficult to calculate accurately. The example is the cost of promoting for the long term, research and development costs. Usually used as a guideline in considering this type of investment is a certain percentage of sales proceeds for product promotion costs, a certain percentage of the company's net profit (for research and development costs). 3. Investments in replacing machinery and equipment. Investments include replacing existing machinery and equipment. In the use of machines and equipment, one day, the operating costs of the machines and equipment will be greater than the operating costs if the machines and equipment are replaced with new ones or their productivity is not able to meet the needs. 4. Investments in business expansion. This investment represents expenditures to increase production or operating capacity to be greater than before. In order to decide on this type of investment, it is necessary to consider whether the assets required for business expansion are expected to generate an adequate amount of profit. c. Types of Investment. Nurzaman (2013), in general, the form of investment is categorized into two types, namely: 1. Real Asset, which is a form of investment that investors invest in real or tangible wealth, such as buildings, vehicles, machines, and so on. 2. Financial assets are investments that are invested by investors in the form of savings and securities or documents (documents) of the holder's indirect claims against the real assets of the party issuing the securities. One of the differences between real and financial assets is their liquidity. Liquidity here means the level of ease of converting an asset into cash and the transaction costs are quite low. Real assets are generally less liquid and the return on assets is difficult to measure accurately. An investment decision is a policy or decision taken to invest in one or more assets for future benefits or the problem of how financial managers must allocate funds into investment forms that will be able to bring benefits in the future. In short, an investment decision is the use of long-term funds. The form, type and composition of the investment will affect and support the level of future returns expected from the investment which cannot be predicted with certainty. Therefore, investment will carry risk or uncertainty. The risks and expected returns from these investments will affect the achievement of goals, policies and corporate value. In making investment decisions, opportunity cost is the income or cost savings that are sacrificed as a result of choosing certain alternatives (Anjani: 2012). According to Helvert, 2005: 7 investment decisions are the main driving force of any business system. It will support the competitive strategy to be developed by management and based on planning (capital budgeting) to run existing or newly acquired Dana terbagi menjadi tiga bidang utama: 1. Modal kerja (berupa aset lancar yang terdiri dari saldo kas, piutang dari pelanggan, dan persediaan. 2. Buildings, machinery and equipment, office furniture, and so on. 3. Main programs for expenditure (research and development, product or service development, promotional programs, etc.)

According to Kasmir and Jakfar, 2007: 96 the investment appraisal method used is as follows: 1. Payback period. The payback period method is an assessment technique for the period (period) of investment return on a project or business. This calculation can be seen from the calculation of the net cash (proceeds) obtained each year. Net cash value is the sum of profit after tax plus depreciation (provided that 100% investment uses own capital). 2. Accounting Rate of Return. The method of accounting rate of return is a way to measure the average return on interest by comparing the average profit before tax (EAT) with the average investment. 3. Net Present Value. Net Present Value or net present value is the ratio between the PV of the Proceed and the PV of the investment (capital outlays) over the life of the investment. The difference between the values of the two PVs is what we know as the Net Present Value (NPV). To calculate the NPV, we must first know what the net cash PV is. Net cash PV can be found by creating and calculating the company's cash flow over the life of a certain investment. 4. Internal Rate of Return. Internal Rate of Return (IRR) is a tool for measuring the rate of return on internal results. 5. Profitability Index. The method of profitability index (PI) or the benefit and cost ratio (B / C Ratio) is the ratio of activities from the total present value of net income to the present value of expenditures.
From the research results (FAISKA, MUTIARA DWI and Mukhtaruddin, Mukhtaruddin and Saftiana, Yulia, 2020), ‘THE EFFECT OF INTERNAL CONTROL AND GOOD CORPORATE GOVERNANCE ON COMPANY VALUE (EMPIRICAL STUDY OF INDONESIAN PUBLIC UTILITY SECTORS LISTED IN 2016-2018).’ The research showed that internal control, board of directors and managerial ownership had a negative effect on firm value. Undergraduate thesis, Sriwijaya University. url http://repository.unsri.ac.id/id/eprint/35735.

From the research results (Suryo Pratolo, 2008), with the title ‘THE INFLUENCE OF MANAGEMENT AUDIT, MANAGER COMMITMENT, INTERNAL CONTROL TO THE IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE PRINCIPLES AND THE PERFORMANCE OF STATE-OWNED BUSINESS AGENCIES IN INDONESIA, 2008. Journal of Accounting and Investment Vol. 9 No. 1, January 2008, explains that other research outcome is that internal control has the highest influence on “good corporate governance” principles application and company performance. From the results of the research (Sofia, 2020), on ‘THE IMPACT OF INTERNAL CONTROL AND GOOD CORPORATE GOVERNANCE ON FRAUD PREVENTION’ that the result of this study showed that the internal control have no effect on fraud prevention, good corporate governance have a positive effect on fraud prevention Irma Paramita Sofia Vol 2, No 1 (2020). According to research results (I Made Pradana Adiputra, 2018). The entitled ‘QUALITY OF FINANCIAL STATEMENTS AND INTERNAL CONTROL, ON INVESTMENT EFFICIENCY,’ that the results show that listed SOEs have more explanatory power on the effect of the quality of financial statements on over / under-investment than non-listed SOE, VOL 2 NO 3 (2018) published 2019-08-06. According to the research results (Herry Aprilia Manubulu, 2018), ‘THE EFFECT OF BUDGET MANAGEMENT PERFORMANCE AND THE EFFECTIVENESS OF INTERNAL CONTROL ON BPK EXAMINATION RESULTS REPORTS, Vol 21, No. 1 (2018)’ the results show that the performance of budget management and the effectiveness of internal control has a significant effect on the audit results report. Journal of Economics, Management and Accounting, ISSN: 2685-1415 (Online) | 1410-8224 (Print). Meanwhile, this research differs in the dependent variable, namely the decision to invest in capital, but there is a relationship that gives the same perception that internal control has a very decisive role, because it is an integrated effort in achieving company goals.

**Framework**

From this theory there is a framework of thought, as illustrated below:

![Figure 1. Framework](image)

**Hypothesis**

Based on this framework, a hypothesis can be formulated as follows:

H1: Internal control affects capital investment decisions.

H0: Internal control has no effect on capital investment decisions.

**Method of Implementation**

**Object of research**

Samples were taken from 32 respondents from companies in West Java Chamber of Commerce and others in Bandung where the sampling method used was purposive sampling technique.

**Data analysis technique**

**Descriptive Analysis Test**

This study uses a quantitative approach through the survey method, while the questionnaire used is primary power based on the Likert scale, while the answers from respondents are done by tabulation. The description

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used uses the independent variable internal control, while the dependent variable is the capital investment decision.

According to Sekaran and Bougie (2017: 79), the independent variable will affect the dependent variable, whether positive or negative. This means that every independent variable that appears, then it can be ascertained that the dependent variable will also appear, for any increase or decrease in the independent variable. Still according to Sekaran and Bougie (2017: 77) the dependent variable is a variable that is under the influence of other variables, so in other words the main variable is suitable for research material.

Furthermore, the existing variables will be described through the operational research variables, which consist of the main variables, definitions or concepts, dimensions, indicators and measurement scales. The operational details of the variables are shown as follows:

Table 1

<table>
<thead>
<tr>
<th>Variable</th>
<th>Concept</th>
<th>Dimension</th>
<th>Indicator</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Control (X)</td>
<td>Romney (2014)</td>
<td>Control objectives</td>
<td>Processes and procedures</td>
<td>Ord</td>
</tr>
<tr>
<td></td>
<td>Mulyadi (2014)</td>
<td>Organizational structure, methods, and measures</td>
<td>Asset security, Data reliability, obedience efficiency</td>
<td>Ord</td>
</tr>
<tr>
<td></td>
<td>Amin Widjaja Tunggal (2013)</td>
<td>The process of achieving goals</td>
<td>Effectiveness and efficient operation</td>
<td>Ord</td>
</tr>
<tr>
<td></td>
<td>Alvin A. Arens, Randal J. Elder, Mark S. Beasley dalam Herman Wibowo</td>
<td>General purpose effectiveness</td>
<td>adequacy of financial reports, obedience to applicable laws and regulations</td>
<td>Ord</td>
</tr>
<tr>
<td></td>
<td>(2013)</td>
<td>Control environment</td>
<td>Reporting, operational efficiency and effectiveness, adherence to laws and regulations.</td>
<td>Ord</td>
</tr>
<tr>
<td></td>
<td>COSO (2013)</td>
<td>Limitations of control</td>
<td>Integrity and ethical values, independency</td>
<td>Ord</td>
</tr>
<tr>
<td></td>
<td>Sukrisno Agoes (2012)</td>
<td>There is fraud</td>
<td>Management establishes, competent individuals, individuals accountable for their internal control</td>
<td>Ord</td>
</tr>
<tr>
<td></td>
<td>Tuanakotta (2007)</td>
<td></td>
<td>Control cost factor</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Association of Certified Fraud Examiner dalam (Karyono, 2013)</td>
<td></td>
<td>Actions against the law by people inside / outside the organization, to get personal / group benefits that harm other parties.</td>
<td>Ord</td>
</tr>
</tbody>
</table>
Data Collection and Processing Techniques

Data is collected from field research (field research), and library research (library research), while data processing is taken based on the Lickert scale with response levels strongly agree (5), agree (4), doubt (3), disagree (2), strongly disagree (5).

Data Testing Methods

Validity test

Test the validity of the ordinal measurement scale using the Spearman rank correlation.

Reliability test

Reliability test is used to find out so that the measurement results remain consistent, when repeated measurements are made with the same variables. This test uses the Spearman Brown technique from the half (Split-half), to determine the reliability coefficient which also uses the Spearman Brown formula.

Descriptive Analysis Test

This test is conducted to obtain responses through surveys, through distributing questionnaires in order to obtain company perceptions of the West Java Chamber of Commerce and Industry, by using internal control variables and capital investment decisions.

Data analysis technique

The analysis used consists of two types, namely: (1) descriptive analysis through qualitative variables and (2) quantitative analysis with path coefficients, and determination which measures how much influence the independent variable has on the dependent variable. While the verification method uses path analysis. With the use of a combination of analytical techniques, it is desirable to obtain an integrated generalization between internal control over capital investment decisions. The author distributes a questionnaire about respondents' opinions on this research, which consists of 10 statement items for internal control variables and 11 statement items for capital investment decision variables, each statement is given 5 alternative answers that must be chosen.

Hypothesis Test (t test) to get an idea, how is the influence of the independent variable on the dependent individually (partially).

Determination Coefficient Test

This coefficient is a value that indicates the magnitude of the influence of the independent variable simultaneously on the dependent variable. With a range of values from 0 to 1 (0% - 100%), the values in the range are close to one, so the effect of the independent variables is getting bigger.

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<td>Increase in capital stock</td>
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<td>Investment decision</td>
<td>Type of investment</td>
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<td>Investment Appraisal</td>
<td>building production equipment, and inventory items</td>
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<td>&quot;Excess funds&quot; several periods of the coming period in the capital market are</td>
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<td>Investments cannot be measured in return</td>
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<td>Invest in replacement of machinery and equipment</td>
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<td>Investments in business expansion</td>
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<td>Payback period, Net Present Value, Internal Rate of Return, Profitability Index</td>
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III. THE RESULTS ACHIEVED

Object of research
In this study, a survey was conducted on company respondents at the West Java Chamber of Commerce and Industry in Bandung, by taking a sample of 32 respondents.

Descriptive Analysis Test
The focus of the research was carried out in Bandung, the company respondents at West Java Chamber of Commerce and others in Bandung, through requests for responses with a survey by distributing questionnaires to determine the perceptions of company respondents at the West Java Chamber of Commerce and Industry in Bandung, while the variables used were internal control and capital investment decisions.

Data analysis technique
Based on research that has been carried out through an instrument, namely a questionnaire that is distributed to each respondent. Then the results of the calculation of the percentage score of each statement that becomes a measuring tool in the internal control variable and capital investment decisions according to the indicators described as i:

Respondents' responses regarding internal control variables at the level strongly agree on the indicators: 1. Process and procedures 62.50%, 2. Asset security, 65.63%, 3. Data reliability, 68.75%, 4. Compliance 59.38%, 5. Efficiency 71.88%, 6. The process of achieving goals 68.75%, 7. The effectiveness of general objectives 65.63%, 8. 68.75% control environment, 9. Limited control 75.00%, 10. There is fraud 65.63%, so that the average is 67.19% in good category, while the highest score is in control limitations 75.00% means that management evaluates all limitation factors on internal control in the company, so that the decision making process is more targeted...

Respondents' responses regarding entrepreneurial performance variables at the level strongly agree on indicators: 1. Addition of capital stock 68.75%, 2. Commitment to invest a number of funds 71.88%, 3. Investment decisions 65.63%, 4. Non-profit investment 75.00%, 5. Investments cannot be measured 71.88%, 6. Investments in replacing machines and equipment 65.63%, 7. Investments in business expansion 65.63%, 9. Net Present Value .68 , 75%, 10. Internal Rate of Return 65.63%, 11., Profitability Index 71.88%... so that the average is 62.79% in good category, while the highest score is only 75.00%, meaning investment non-profit has a very large role in making investment decisions.

Hypothesis test
The t test used in this study illustrates the extent of the significance of the effect of each independent variable on the dependent variable. The hypotheses used in this study are:

H1: $\beta \neq 0$ Internal control has a significant effect on capital investment decisions

Testing criteria:
Reject $H_0$ if, $t_{count} > t_{table}$ or reject $H_0$ if, $p$-value < $\alpha$.

$\alpha = 0.05$

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<th>Table 2 Uji t Coefficientsa</th>
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a. Dependent Variable: KinerjaKewirausahaan

For $X$, the value of $t_{count}$ (1.763) < $t_{table}$ (2.042) and there is also a $p$-value < $\alpha$ (0.05), namely 0.088 > 0.05, so it can be concluded that $H_1$ is rejected and $H_0$ is accepted. So internal control has no effect on capital investment decisions. Hypothesis test count is 1.763 and ttable, $n = 100$ (df = nk), then the 5% significance is 2.042, this
means that the coefficient and a significance value of 0.088 > 0.05 so it is accepted that the internal control variable (X) has no effect on capital investment decisions. (Y).

**Coefficient of Determination**

The coefficient of determination is used to determine how much the percentage of influence that occurs on internal control on capital investment decisions, where the formula $KD = r^2 \times 100\%$ is used and the results are as follows:

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<th>Mod</th>
<th>R</th>
<th>R Sq</th>
<th>Adjust R Sq</th>
<th>Std. Err of the Est</th>
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<td>1</td>
<td>.306</td>
<td>.094</td>
<td>.064</td>
<td>2.800</td>
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a. Predictors: (Constant), PelatihanPenyusunanLap.Keuangan

According to these data, it can be seen that the influence of the internal control variable is 0.094, this means that 9.4% of the capital investment decision variable can be explained by the internal control variable. The 90.6% residue is influenced by other variables not examined.

**IV. CONCLUSION**

The conclusions on research on the effect of internal control on capital investment decisions are as follows:

1. Internal control variables are at a good level, because companies at West Java Chamber of Commerce and others in Bandung determine that internal control plays an important role in company management ...  
2. The variable of capital investment decisions is also in the good category, this shows that there are companies at the West Java Chamber of Commerce and others in Bandung, which realize that the right capital investment decision-making process will enable the company to exist and maintain its performance in the COVID-19 pandemic.
3. Internal control has no effect on capital investment decisions. This shows that internal control is less important in the framework of the right decision-making process for improving company performance at Kadin Jabar and others in Bandung, West Java.

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30. I Made Pradana Adiputra, 2018). Yang berjudul KUALITAS LAPORAN KEUANGAN DAN PENGENDALIAN INTERNAL, TERHADAP EKSIENSI INVESTASI, bahwa The results show that listed SOEs have more explanatory power on the effect of the quality of financial statements on over/under-investment than non-listed SOE, VOL 2 NO 3 (2018) terbit 2019-08-06