



## THE EFFECT OF INTERNAL, EXTERNAL FACTORS ON CORPORATE PERFORMANCE AND ITS IMPACT ON CORPORATE VALUES IN INDONESIA MANUFACTURING COMPANIES IN THE AUTOMOTIVE SUB SECTOR AND ITS COMPONENTS IN 2008-2017

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### Abstract:

*This study aims to find out: (1) Effect of Current Ratio (CR), Debt to Equity Ratio (DER), inflation and the IDR exchange rate on Return on Assets (ROA); (2) Effect of Current Ratio (CR), Debt to Equity Ratio (DER), inflation and the IDR exchange rate against Price to Book value (PBV); (3) Effect of Return on Assets (ROA) on Price to Book value (PBV); (4) Role of Return on Assets ROA as an intervening variable between Current Ratio (CR), Debt to Equity Ratio (DER), inflation and the IDR exchange rate with Price to Book value (PBV). The research sample is the automotive sub-sector manufacturing company and its components in the period 2008-2017 as many as 9 companies. The results of the study with panel data show that simultaneously CR, DER, inflation and the rupiah exchange rate affect ROA, partially CR and inflation have no significant effect on ROA, while DER and the IDR exchange rate have a significant effect on ROA. Simultaneously CR, DER, inflation and the IDR exchange rate affect PBV, partially CR, DER and inflation have no significant effect on PBV, while the IDR exchange rate has a significant effect on PBV. 12. The role of ROA as an intervening variable is very important in increasing the influence of CR, DER, inflation and the IDR exchange rate against Price to Book Value (PBV).*

**Keywords:** Current Ratio; Debt to Equity Ratio; Inflation; IDR Exchange Rate; Return on Assets; Price to Book Value.

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### 1. Introduction

The function of financial management is basically to take several decisions in the financial sector. These decisions are relevant and have an effect on corporate value. Darmadji and Fakhruddin (2011: 141), explain that corporate value can be measured by Price to Book Value

(PBV), a ratio that describes how much the market values the book value of shares of a company. Halim (2015: 2).

The lowest average Price to Book Value (PBV) for all sectors in the Indonesia Stock Exchange (IDX) from 2008 to 2017 is a sector of miscellaneous industry of 1.00. Among the sub-sectors in the miscellaneous industry sector, the automotive sub-sector and its components have the highest PBV average of 1.56.

Issuer PBV for the automotive sub-sector and its components from 2008 to 2017 tend to increase with an average PBV increase of 0.04 per year. While ROA was declining, in 2008 with an average decline of 0.72% per year. This is inversely proportional to sales which show an increasing trend for each year with an average annual increase of 8.99%.

Sudiyatno (2010), explains that company performance (ROA) is the result of the implementation of company policy, so the company's performance can function as a mediation of company policy in influencing stock prices or corporate value. Stock market prices are not only influenced by micro fundamental factors, namely company policies and company performance, but also influenced by macro fundamental factors, especially macroeconomic fundamentals such as inflation, interest rates, exchange rates, and economic growth. According to Halim (2015: 216) The ratio that can be used to measure a company's financial policy is the leverage ratio and liquidity ratio.

Based on the information and several opinions above, company performance that is proxied by Return on Assets (ROA) is the result of implementation of company policies that can be measured using liquidity ratios, namely Current Ratio (CR) and leverage, namely Debt to Equity Ratio (DER) which is an internal factor company. In addition to internal factors, the company's performance is also influenced by the company's external factors such as inflation and exchange rates. Company performance in this case ROA can function as a mediation of company policy in influencing stock prices or corporate value that can be measured using PBV.

Here are some researches about the internal and external factors of the company in relation to company performance and corporate value. Pramesti et al (2016), Hasanah and Enggariyanto (2018), stated that CR does not have a significant effect on ROA. Monoarfa et al (2018) stated that CR has a significant effect on ROA. Safdar et al (2016) stated that liquidity (CR) has a significant positive effect on profitability (ROA). While Ulzanah and Murtaqi (2015) stated that CR has a negative and significant effect on ROA.

Monoarfa et al (2018) stated that DER has a significant effect on ROA, stating that DER partially has a significant positive effect on ROA. While Khafa and Laksito (2015), Ulzanah and Murtaqi (2015) have different opinions, they stated that DER has a significant negative effect on company performance (ROA).

Alfani, and Rustandar (2013), Fajar et al (2016) stated that inflation does not have a significant effect on ROA, while Siswanti et.al (2015); Ifeanyi and Chukwuma (2016) stated that inflation has a negative and significant effect on ROA.

Tulende et al (2014) stated that exchange rates have a significant positive effect on ROA. While Sumantri et al (2015) stated that the exchange rate has a significant negative effect on ROA. A different matter was stated by Siswanti et al (2015), Alfani and Rustandar (2013), Fajar et al (2016) and Okika et al (2018) who stated that the rupiah exchange rate has no effect on ROA.

Wulandari (2013) stated that CR does not affect PBV, Annisa, and Chabachib (2017) argued that CR has no significant negative effect on PBV. Umaiyah and Salim (2018) stated that Current Ratio (CR) has a insignificant positive effect on corporate value (PBV). Sukmawardini, and Ardiansari (2018) stated that CR has a negative effect on (PBV).

Hamidah et al (2015) and Hamidy et al (2015), stated that DER has a positive and significant effect on Price to Book Value (PBV), while Paminto et al (2016), stated that DER negatively affects PBV.

Siswanti et al (2015); Hamidah et al (2015) stated that inflation has a insignificant negative effect on PBV. Djamaludin et al (2017) stated that inflation has a insignificant positive effect on PBV. Jubaedah and Hadi (2016) stated that inflation has a positive effect on PBV.

Djamaludin et al (2017) stated that the exchange rate has no significant effect on PBV. Different opinions were expressed by Siswanti et al (2015) which stated that the IDR exchange rate has a significant negative effect on PBV. While Jubaedah and Hadi (2016) stated that the exchange rate has a positive effect on PBV.

Safdar et al (2016), Hamidah et al (2015), Jubaedah and Hadi (2016), Sabrin et al (2016), Annisa and Chabachib. (2017) stated that ROA has a positive and significant effect on PBV. On the contrary, Siswanti et al. (2015), Umaiyah and Salim (2018), stated that ROA does not affect PBV.

Based on the background, identification and limitation of the problem, the problems to be examined are as follows:

- 1) What is the effect of CR, DER, inflation and the IDR exchange rate on ROA?
- 2) What is the effect of CR, DER, inflation and the IDR exchange rate on PBV?
- 3) How does ROA influence on PBV?
- 4) What is the influence of CR, DER, inflation and the IDR exchange rate on ROA with ROA as an intervening variable.

The benefits of this research are expected to be able to provide input and be used as material in formulating corporate policy strategies and stock investment decisions in the capital market.

### **Price to Book Value (PBV)**

Corporate value is an investor's perception of the company, which is often associated with stock prices. High stock prices make high corporate value excessively. Rodoni and Ali (2014: 4).

According to Brigham and Houston (2006: 12), corporate value can be formulated as follows:

$$PBV = \frac{\text{Market Price per Share}}{\text{Book Value per Share}}$$

**Return on Assets (ROA)**

Sudiyatno (2010) explained that an increase in corporate value or prosperity of shareholders will be achieved if the management is able to improve its performance, namely company performance, as a micro fundamental factor that is often used by investors or prospective investors as a basis for making decisions in investing. Company performance is the result of implementing company policies such as ROA that will be used by investors and prospective investors as a basis for their decision to invest.

$$\text{ROA} = \frac{\text{Earning After Interest and Tax}}{\text{Total Assets}}$$

**Inflation**

Inflation is a situation where there is a sharp increase in prices (absolute) which takes place continuously in a long enough period of time followed by the decline in the real value (intrinsic currency of a country). Khalwaty (2000: 5-31). He explained that inflation below 10% per year is still classified as mild inflation, 10-30% is moderate inflation, inflation between 20% -100% is classified as severe inflation, above 100% classified as very heavy inflation.

**Exchange rates**

Currency exchange rates or what is often referred to as the exchange rate is the price of one unit of a foreign currency in the domestic currency or can also be said to be the price of a domestic currency against a foreign currency. For example, the exchange rate (NT) of the Rupiah against the US Dollar (USD) is the price of one US dollar (USD) in Indonesian Rupiah (IDR), or it can also be interpreted to mean the price of one IDR against one USD. Simorangkir and Suseno (2016: 4).

**Current Ratio (CR)**

Prihadi (2013: 177), explains that, current ratio is a ratio to measure a company's ability to pay short-term liabilities or debts that are immediately due when billed as a whole.

$$\text{CR} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

**Debt to Equity Ratio (DER)**

Debt to equity ratio is the ratio used to assess debt with securities. This ratio serves to know every IDR of its own capital which is used as collateral for debt. According to Halim (2015: 216), the greater the debt-to-equity ratio, means the greater the risk of the company's debt to meet the interest and principal costs of the loan when the economy deteriorates.

$$\text{DER} = \frac{\text{Debt}}{\text{Equity}}$$

**2. Materials and Methods**

The thinking framework in this study can be seen in Figure 1 below:

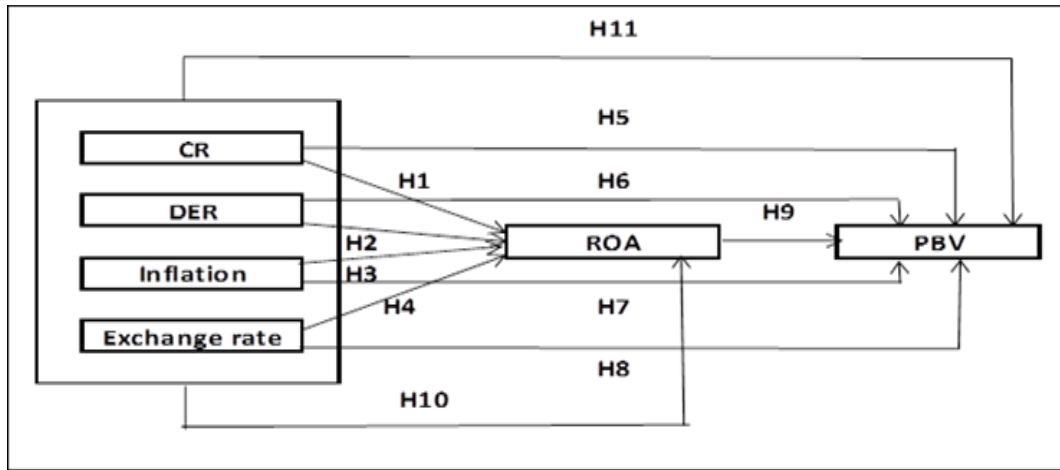


Figure 1. Thinking Framework

Based on the above framework, the hypothesis proposed is as follows: H1: CR has an effect on ROA. H2: DER affects ROA. H3: Inflation affects ROA. H4: The rupiah exchange rate has an effect on ROA. H5: CR has an effect on PBV. H6: DER affects PBV. H7: Inflation affects PBV. H8: The IDR exchange rate has an effect on PBV. H9: ROA has an effect on PBV. H10: CR, DER, inflation and the IDR exchange rate simultaneously influence ROA. H11: CR, DER, inflation and the IDR exchange rate simultaneously influence PBV. H12: CR, DER, inflation and the IDR exchange rate simultaneously influence PBV by mediating ROA.

The research design used in this study is causal research which aims to determine the influence of two or more variables. The variables used in this study consist of independent variables (CER, DER, inflation and IDR exchange rate), dependent variable (PBV) and intervening variables (ROA).

Table 1: Operational Definitions and Variable Measurements

No	Variable	Indicator	Data Source
1	Current Ratio (CR)	$CR = \frac{\text{Current Assets}}{\text{Current Liabilities}}$	Financial Report
2	Debt to Equity Ratio (DER)	$CR = \frac{\text{Current Assets}}{\text{Current Liabilities}}$	Financial Report
3	Inflation	Inflation <i>it</i>	Bank Indonesia
4	Exchange Rates of Rp. US \$	Exchange Rates of Rp. US \$	Central Bureau of Statistics
5	Return on Assets (ROA)	$ROA = \frac{\text{Earning After Interest \& Tax}}{\text{Total Assets}}$	Financial Report
6	Price to Book Value (PBV)	$PBV = \frac{\text{Market Price per Share}}{\text{Book Value per Share}}$	Financial Report

The research population is companies in the automotive sub-sector and its components listed on the Indonesia Stock Exchange in 2008 to 2017. The sample selection uses a purposive sampling technique with the following considerations:

Table 2: Sampling Process

No	Criteria	Amount
1	Company Automotive sub-sector and its components listed on the IDX from 2008-2017	13
2	Companies inconsistently listed on the IDX from 2008-2017	(1)
3	The company does not have the required annual financial statements	(3)
	Number of companies that meet criteria	9

The data used are panel data in the form of annual financial reports of companies in the automotive sub-sector and its components that meet the criteria for sample selection, inflation data and rupiah exchange rates from year 2008 - 2017. Data collection uses documentation techniques by downloading data from the Exchange Indonesian Securities (IDX), Central Bureau of Statistics and Bank Indonesia (BI).

Processing data using Eviews version 10 software. Before panel data regression analysis, descriptive analysis and inferential statistics are conducted first. Inferential statistics, are statistics that are used with the aim of testing hypotheses about a population based on the sample as the subject of the study. Dencik et al (2018: 3). Selection of the best Panel Data Model uses the chow test, Hausman test and Lagrange Multiplier / LM.

Regression model is done by using the Determination Coefficient R<sup>2</sup>, Test F, Test t. The test level uses the specified  $\alpha$  value of 0.05 or 5%. Classical assumption testing is done using: Multicolonity Test, Autocorrelation Test for Heterocedasticity Test. In general the equations used for panel data regression are as follows:

$$Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \dots + \epsilon_{it}$$

The regression equation for this study is as follows:

$$ROA_{it} = \alpha + \beta CR_{it} + \beta DER_{it} + \beta Inflation_{it} + \beta Exchange\ rate_{it} + \epsilon_{it} \dots \dots \dots (1)$$

$$PBV_{it} = \alpha + \beta CR_{it} + \beta DER_{it} + \beta Inflation_{it} + \beta Exchange\ rate_{it} + \epsilon_{it} \dots \dots \dots (2)$$

$$PBV_{it} = \alpha + \beta ROA_{it} + \epsilon_{it} \dots \dots \dots (3)$$

To test the intervening effect, Path Analysis method is used. According to Ghazali (2011: 247-251) in describing path diagrams that need to be considered is that one-headed arrows are regression and two-headed arrows are correlation relationships. A direct relationship occurs if one variable affects another variable without a third variable that mediates (intervening) the relationship between the two variables. An indirect relationship occurs is if there is a third variable that mediates the relationship between the two variables. ROA is said to be able to mediate the relationship between CR, DER, inflation and the exchange rate of IDR against US \$ if  $R1^2 + R3^2 > R2^2$ .

### 3. Results and Discussions

Descriptive statistical calculations describe calculations in terms of mean, median, maximum and minimum. The results of the calculation are as follows:

Table 3: Descriptive Statistics Test Results

	CR	DER	Inflation	Exchange Rate	ROA	PBV
Mean	1,708222	1,442556	0,057000	11.347	0,067213	1,689448
Median	1,410000	0,960000	0,052500	11.569	0,057850	1,019713
Maximum	5,120000	10,60000	0,103000	13.795	0,240900	9,040000
Minimum	0,840000	0,010000	0,035000	8.991	-0,086100	0,010000

Sources : processing result

After testing the exact regression model estimation method using Random Effect. Multicollinearity test is recommended to look at the Variance Inflation Factor (VIF) value, if the VIF value is less than 10, there is no multicollinearity. Masngudi and Salim (2012: 121). VIF values for the CR, DER, inflation, exchange rates and ROA variables for each equation below 10, it can be said that the model does not contain multicollinearity. In detecting the presence or absence of the problem of heteroscedasticity using the white test due to the value of the Prob. Chi-Square (2) for each equation is greater than 0.05, therefore it can be interpreted that the above model does not contain heteroscedasticity.

Multiple linear regression analysis uses the Random effect model with the General Least Square (GLS) approach.

### The Equation of Multiple Linear Regression

$$1) \quad ROA = \alpha + \beta CR + \beta DER + \beta Inflation + \beta Exchange \text{ Rate}$$

$$ROA = 0,981033 + 0,003920 CR - 0,008255 DER - 0,1322296 Inflation - 0,96650 \text{ Exchange Rate}$$

$$2) \quad PBV = \alpha + \beta CR + \beta DER + \beta Inflation + \beta Exchange \text{ Rate}$$

$$PBV = 2,332508 + 0,108360 CR + 0,074523 DER - 4,970124 Inflation - 2,321666 \text{ Exchange Rate.}$$

$$3) \quad PBV = \alpha + \beta ROA$$

$$PBV = 0.788190 + 13.40892 ROA$$

### t Test

The t test is used to know whether the independent variable regression model partially has a significant effect on the dependent variable. Hypothesis: Ho: there is partially no effect of CR, DER, inflation and the IDR exchange rate on ROA. Ha: There is partially the influence of CR, DER, inflation and the IDR exchange rate on ROA. Decision criteria:

Ho is accepted if  $-t \text{ counts} \geq -t \text{ table}$  or  $t \text{ count} \leq t \text{ table}$  (no effect)

Ho is rejected if  $-t \text{ counts} < -t \text{ table}$  or  $t \text{ count} > t \text{ table}$  (effect).

The value of t table can be seen in the table t statistics at  $df = n - k - 1$  or  $90 - 4 - 1 = 85$  (k is the number of independent variables), with a significance of 0.05 and a two-sided test obtained by the results of t table = 1.988 / -1.988.

**Table 4. t Test**

<b>Equation 1</b>				
<b>ROA = <math>\alpha</math> + <math>\beta</math>CR + <math>\beta</math>DER + <math>\beta</math>Inflation + <math>\beta</math>Exchange Rate</b>				
<b>Variabel</b>	<b>t hitung</b>		<b>t tabel</b>	<b>Information</b>
CR	0,54417	<	1,988	Ho accepted, CR does not have a significant effect on ROA
DER	-2,3681	<	-1,988	Ho is rejected, DER has a significant effect on ROA
Inflation	-0,5854	>	-1,988	Ho accepted, Inflation did not have a significant effect on ROA
Exchange Rate	-4,1103	<	-1,988	Ho rejected, Exchange rate has a significant effect on ROAA
<b>Equation 2</b>				
<b>PBV = <math>\alpha</math> + <math>\beta</math>CR + <math>\beta</math>DER + <math>\beta</math>Inflation + <math>\beta</math>Exchange Rate</b>				
<b>Variabel</b>	<b>t hitung</b>		<b>t tabel</b>	<b>Information</b>
CR	0,51332	<	1,988	Ho is accepted, CR does not have a significant effect on PBV
DER	0,72942	<	1,988	Ho is accepted, DER has no significant effect on PBV
Inflasi	-0,75048	>	-1,988	Ho accepted, Inflation had no significant effect on PBV
Nilai Tukar	-3,3671	<	-1,988	Ho rejected, Exchange rate has a significant effect on PBV
<b>Equation 3</b>				
<b>PBV = <math>\alpha</math> + <math>\beta</math>ROA</b>				
<b>Variabel</b>	<b>t hitung</b>		<b>t tabel</b>	<b>Information</b>
ROA	5,36627	>	1,988	Ho was rejected, ROA had a significant effect on PBV

**F Test**

The F test is used to determine whether the independent variables collectively have a significant effect on the dependent variable. Hypothesis: Ho: there is no effect of CR, DER, inflation and exchange rates together on PBV. Ha: there is the influence of CR, DER, inflation and the exchange rate together on PBV. Decision criteria:

Ho is accepted if  $F \text{ count} \leq F \text{ table}$  (no effect) or if the value of  $F \text{ count} \leq$  from  $F \text{ table}$ , the independent variable simultaneously does not affect the dependent variable.

Ho rejected  $F \text{ count} > F \text{ table}$  (effect) or if the value of  $F \text{ count} >$  from  $F \text{ table}$ , the independent variables simultaneously influence the dependent variable.

**Table 5. F Test**

<b>No</b>	<b>Equation</b>	<b>F Calculate</b>	<b>F Table</b>	<b>Information</b>
1.	$ROA = \alpha + \beta CR + \beta DER + \beta Inflation + \beta Exchange \text{ rate}$	6,176	> 2,479	Ho is rejected, CR, DER, Inflation and Exchange rates simultaneously influence ROA
2.	$PBV = \alpha + \beta CR + \beta DER + \beta Inflation + \beta Exchange \text{ rate}$	3,461	> 2,479	Ho is rejected, CR, DER, Inflation and exchange rates simultaneously influence PBV

From the results of the F test, it can be interpreted that the model is feasible to use and able to predict the independent variables simultaneously and influencing the dependent variable. CR,



DER, inflation and exchange rates simultaneously influence on ROA. CR, DER, inflation and exchange rates simultaneously influence on PBV.

#### Determination Analysis Results, Adjusted R -squared ( $R^2$ )

Determination analysis is a measure that shows how much the independent variable contributes to the dependent variable or in other words to determine the percentage contribution of the independent variables simultaneously to the dependent variable.

**Table 6. Determination analysis**

No	Equation	Coefficient of Determination	
1.	$ROA = \alpha + \beta CR + \beta DER + \beta Inflation + \beta Exchange\ Rate$	$R1^2$	0,18874
2.	$PBV = \alpha + \beta CR + \beta DER + \beta Inflation + \beta Exchange\ Rate$	$R2^2$	0,0996
3.	$PBV = \alpha + \beta ROA$	$R3^2$	0,2395
		$R1^2 + R3^2 > R2^2$	
		$0,18874 + 0,2395 > 0,0996$	
		$0,42824 > 0,0996$	

#### Discussions

- 1) CR has a positive but insignificant effect on ROA. The results of this study are in accordance with the research conducted by Pramesti et al (2016); Hasanah and Enggariyanto (2018). In contrast to the results of the above research, Safdar et al (2016) stated that CR has a significant positive effect on ROA. Ulzanah and Murtaqi (2015), stated that CR has a significant negative effect on ROA.

The results of the study show that CR cannot predict the company's performance, but it can explain the company's performance. Greater fund management on the asset side has two different effects. On the one hand, the company's liquidity is improving. But, on the other hand, the company lost the opportunity to get more profits, because the funds that should have been used for investments that benefit the company were reserved to meet liquidity.

- 2) DER has a significant negative effect on ROA, as it is consistent with the research of Khafa and Laksito (2015), Ulzanah and Murtaqi (2015), Pramesti et al (2016). In contrast to the results of the above research, Hasanah and Enggariyanto (2018) stated that DER has a significant positive effect on ROA.

The results of this study are in accordance with Brigham's opinion that DER will affect the amount of profit that will be obtained by the company. If the cost of debt reflected in borrowing costs is greater than the cost of self-capital, the average cost of capital (weighted average cost of capital) will be greater. Therefore ROA will be smaller, and vice versa. Afriyanti (2011).

- 3) Inflation has no significant negative effect on ROA. Similar matters are also stated by, Alfani and Rustandar (2013) and Fajar et al (2016) while Siswanti et al (2015), Ifeanyi and Chukwuma (2016) stated that inflation has a negative and significant effect on ROA. The average inflation during 2008 to 2017 was relatively low at 0.057 or 5.7% per year. According to Khalwaty, inflation which is in a single digit position or below 10% per year is relatively mild inflation with a slow growth rate. Thus it can be said that in that time span inflation has a negative and insignificant effect. Khalwaty (2000 : 5-31).

In line with this opinion in Sudiyatno's research, (2010) information was obtained that inflation cannot be used to predict company performance, but it can be used to explain company performance. This is due to the results of testing in accordance with previous estimates and arguments of economic theory that if inflation rises, the company's performance decreases. However, the influence of the increase in the inflation rate on the decline in company performance is not significant, most companies in the manufacturing industry still get returns despite an increase in inflation.

- 4) The IDR exchange rate has a significant negative effect on ROA. This is in line with the results of research by Sumantri et al (2015). In contrast to the results of the research above, Fajar et al (2016) stated that the IDR exchange rate did not significantly influence ROA.

The results of this test are in accordance with previous estimates and support the argumentation of economic theory, that if the exchange rate rises, the company's performance decreases. The increase in exchange rates can reduce corporate profits, especially in companies that rely on foreign markets. This is in accordance with the opinion of Gustav Cassel (Sudiyatno: 2010). He stated that the increase in exchange rates due to the rate of rising prices makes production costs rise, especially for companies that use imported raw materials. As a result, the competitiveness of these companies decreases because companies must sell their products at a higher price.

- 5) CR has an insignificant positive effect on PBV, which is in line with the research conducted by Umaiyah and Salim (2018). Annisa and Chabachib (2017) stated that CR has no significant negative effect on PBV. Sukmawardini and Ardiansari (2018) stated that CR has a negative effect on (PBV). Companies with good liquidity are companies that are able to fulfill short-term obligations at maturity using their current assets. According to Prihadi (2013: 177), the current ratio can also be said as a form to measure the level of security (margin of safety) of a company.

Companies that have a good level of liquidity means they have a low level of risk. Investors see a good level of liquidity will give a positive signal to the company. However, the effect of CR on PBV is not significant. Investors are likely to concern to the profits generated.

- 6) DER has no significant positive effect on PBV, this is in line with the research conducted by Rasyid (2015). Hamidah et al (2015), Hamidy et al (2015), Dewi, and I Wayan (2018) stated that DER had a significant positive effect on temporary PBV. Paminto et al (2016), Sukmawardini and Ardiansari (2018) stated that DER had a negative effect on PBV.

The more debt shows that companies are attractive to investors, which also means that companies have more value, but on the other hand the higher DER indicates that their own capital is guaranteed to be smaller debt. According to Prihadi (2013: 192) the higher the ratio means the worse the condition of the solvency.

- 7) Inflation has no significant negative effect on PBV. This is in line with the research conducted by Siswanti et al (2015) and Hamidah et al (2015). Djameludin et al (2017) stated that inflation has an insignificant positive effect on PBV. Jubaedah and Hadi (2016) stated that inflation has a positive effect on PBV.

As stated earlier that the average inflation during 2008 to 2017 is relatively low, it can be said that in that period inflation does not have a significant effect on PBV.

- 8) The IDR exchange rate has a significant negative effect on PBV which is in line with the research conducted by Siswanti et al (2015). Djameludin et.al (2017) Argued that the

exchange rate has no significant effect on PBV, whereas Jubaedah and Hadi (2016) stated that the exchange rate has a positive effect on PBV.

Changes in exchange rates can cause changes in the price of goods, especially imported goods. This means that the use of foreign currencies, especially US dollars (\$) is something that cannot be avoided. Companies that use imported raw materials will receive greater impact from the weakening of the exchange rate. This condition will hit the domestic industry. Many companies will reduce their production because they are not be able to buy raw materials and pay large labor costs. As a result, the company's performance decreases. With the decline in company performance, the share price will also decrease. As a result, the company's value will also decrease. (Sudiyatno: 2010).

- 9) ROA has a significant positive effect on PBV. This is in line with the results of research Safdar et al (2016), Hamidah et al (2015), Jubaedah and Hadi (2016), Sabrin et al (2016), Annisa and Chabachib. (2017). On the contrary, Siswanti et al (2015), Umayyah and Salim (2018), stated that ROA does not affect PBV.

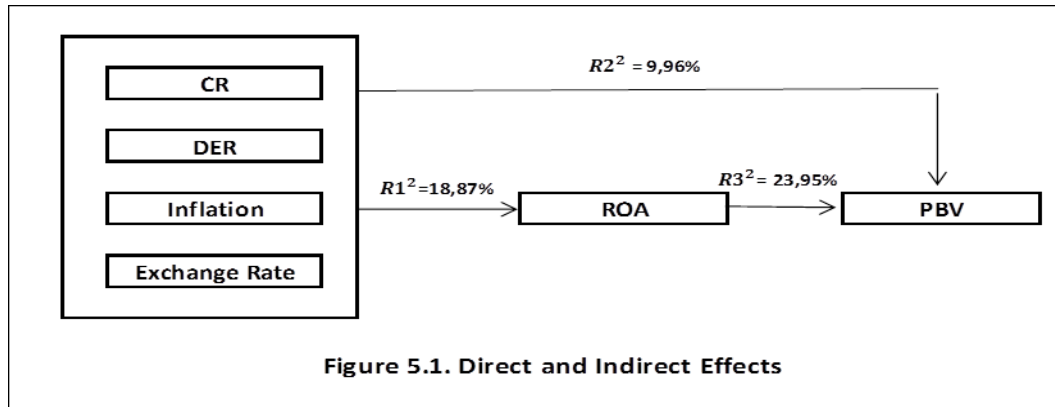
Sudiyatno (2010) explained that increase of corporate value or the prosperity of shareholders will be achieved if the management is able to improve the company performance. Company performance is the result of implementing company policies. The results of these policies, such as ROA, will be used by investors and potential investors as a basis for their decision to invest. Thus, ROA will provide an overview to investors and potential investors as a performance achievement of the company.

- 10) Simultaneously CR, DER, Inflation and Exchange Rate affect ROA. Based on the test results, it showed that the probability value is  $0,000206 \leq 0.05$ . With the significance of 0.05, the results of F table is 2.4790. Therefore F count is  $6.176369 > F$  table 2.4790. Thus, it can be interpreted that the model is feasible to use and able to predict that the independent variables simultaneously affect the dependent variable simultaneously. The results of the Determination analysis (Adj R Square) can be seen that the variables of CR, DER, inflation and exchange rates correlatively have an influence on the ROA of 0.188737 or 18.87% and the remainder is influenced by other factors that are not examined.

- 11) Simultaneously CR, DER, Inflation and Exchange Rate affect on PBV. The probability value is  $0.011398 \leq 0.05$ . With the significance of 0.05 obtained by the results of F table = 2.4790, F count is  $3.461350 > F$  table 2.4790. It can be interpreted that the model is feasible to use and able to predict that the independent variables influence the dependent variable simultaneously. The results of the Determination (Adjusted R-Square) analysis show that the CR, DER, inflation and exchange rate variables collectively have a contribution to the PBV of 0.099604 or 9.9604% and the remainder is influenced by other factors that are not examined.

- 12) The effect of CR, DER, Inflation and Exchange Rate on PBV by mediating ROA.

To discover the indirect effect of directors, the researcher conducted several stages of testing by comparing the coefficient determination between regression or the value of  $R^2$  (adjusted R-squared). The effect of ROA as an intervening variable will result in a greater value when compared to ROA as an independent variable. CR, DER, inflation and exchange rates as independent variables with corporate value as the dependent variable yields a value of  $R^2 = 9.96\%$ , and this value is smaller than ROA as an intervening variable.



$R^2 < (R_1^2 + R_3^2)$  that is  $9.96\% < (18.87\% + 23.9538\%)$ . This value indicates that the role of ROA as an intervening variable is very important in increasing the influence of CR, DER, inflation and the IDR exchange rate on corporate value seen from the results of the regression performed. When compared to the value of  $R^2$  through intervening ROA and without intervening variables, the value of  $R^2$  which indicates the ability of independent variables to explain the higher dependent variable is achieved through the ROA variable as an intervening variable

#### 4. Conclusions and Recommendations

##### Conclusions

- 1) Current Ratio (CR) does not have a significant effect on Return on Assets (ROA)
- 2) Debt to Equity Ratio (DER) has a significant negative effect on Return on Assets (ROA).
- 3) Inflation has no significant effect on Return on Assets (ROA).
- 4) The rupiah exchange rate has a significant negative effect on Return on Assets (ROA).
- 5) Current Ratio (CR) does not have a significant effect on Price to Book Value (PBV).
- 6) Debt to Equity Ratio (DER) does not have a significant effect on Price to Book Value (PBV).
- 7) Inflation has no significant effect on Price to Book Value (PBV).
- 8) The IDR exchange rate has a significant negative effect on Price to Book Value (PBV).
- 9) ROA has a significant positive effect on Price to Book Value (PBV).
- 10) Current Ratio (CR), Debt to Equity Ratio (DER), inflation and exchange rates jointly affect Return on Assets (ROA).
- 11) Current Ratio (CR), Debt to Equity Ratio (DER), inflation and exchange rates jointly influence the Price to Book Value (PBV).
- 12) The role of ROA as an intervening variable is very important in increasing the influence of CR, DER, inflation and the IDR exchange rate on corporate value.

Based on the conclusions described above, the author provides suggestions as follows:

- 1) Management continues to follow, observe and anticipate various risks that may arise from changes and economic developments, especially regarding the IDR exchange rate because raw materials used are mostly imported materials. Eventhough the annual inflation rate is still low (1 digit, below 10%), it must be a concern of the company coincided with making cost efficiency and innovating.

- 2) Although the results of the study show that CR does not partially affect ROA or PBV, the company still has to maintain the CR so that it is not too high. For company management with a CR level that is too high, it is likely to have excess funds. This means that the amount of funds that can immediately be disbursed is abundant, or there is a build up of inventory in the warehouse. For this reason, companies need to streamline funds and develop new marketing strategies to optimize company activities and generate profits.
- 3) For the management of companies with high debt levels, it is advisable to immediately reduce or restructure debt, especially those that are less productive, increase sales, carry out various efficiency measures to rise profits, prosper shareholders and increase corporate value.
- 4) For investors or prospective investors, it is advisable to choose issuers with a high level of profitability or tend to increase, so they can get a high rate of return.

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