

# The Influence of Financial Performance, Capital Structure and Macroeconomic Factors on Firm's Value – Evidence from Textile Companies at Indonesia Stock Exchange

Jubaedah<sup>1</sup>, Ivan Yulivan<sup>2</sup>, & Abdul Razak Abdul Hadi<sup>3</sup>

<sup>1</sup>Universitas Pembangunan Nasional "Veteran", Jakarta, Indonesia.

<sup>2</sup>Universitas Pembangunan Nasional "Veteran", Jakarta, Indonesia.

<sup>3</sup>Universiti Kuala Lumpur Business School, Kuala Lumpur, Malaysia.

Correspondence: Jubaedah, Universitas Pembangunan Nasional "Veteran", Jakarta, Indonesia.

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## Abstract

This study aims to investigate how financial performance, capital structure and macroeconomic factors may influence a firm's value in Indonesia textile industry. This research is exploratory in nature involving 20 textile companies listed in Indonesia Stock Exchange (IDX). Using panel data regression, the results show that financial performance, capital structure, inflation and exchange rate are contributory factors that influence firm's value. The better the financial performance of a company, the higher its value will be. The study also reveals that ratio of short term debt to total assets has no significant impact on firm's value, while there is a positive significant relationship between the ratio of long term debt to total assets and firm's value. Interestingly, depreciation in Indonesia Rupiah and increase in inflation rate would also enhance the firm's value. As far as Indonesian textile industry is concerned, the findings suggest that capital structure, increased financial performance, higher inflation rate and depreciating Rupiah do influence the textile company's value.

**Keywords:** Capital Structure, Financial Performance, Macroeconomic Factors, Firm's Value

## 1. Introduction

The textile industry and its textile products (TPT) contribute significantly to the economic growth of Indonesia. Textile industry alone contributed 2.18 percent to the Gross Domestic Product (GDP) and 8.01 per cent of the processing industry in 2010 (BPS, 2010). TPT has been the non-oil export commodity which provides the largest contribution over the last 20 years. The textile industry is also the largest contributor to foreign exchange earnings Indonesia. In 2009, the textile industry accounted for 12.72 per cent of the foreign exchange earnings of the industrial exports excluding oil and gas (BPS 2010). The industry also employs many workers, employed directly or indirectly. Bureau of Statistics data show the number of Indonesian workers until February 2011 reached 119.4 million people with employment in the industrial sector of manufacturing as many as 13.71 million people with a direct workforce of 1.4 million people where most or about 47 percent comes from garment sector, followed by weaving sector, which absorbs 19 250 people and making and spinning fiber sector. Overall, the textile industry absorbs nearly 10% of the total manufacturing workforce in Indonesia. Besides the textile industry has a great opportunity, which the textile demand will increase in line with population growth.

Based on textile's value chain characteristics, the more downstream the textile industry is (Garment and other textile products), the more labor and working capital turnover is required. On the upstream side (Natural Fiber and Fiber Making), the process requires substantial capital investment, greater energy consumption and more advanced technology. Apparel manufacturing industry (garment) involves the process of cutting, sewing, washing and finishing the ready-made garment. The cost structure of the textile industry is dominated by raw materials costs. More than 50% of the cost structure in the manufacturing sector of fiber (fiber making), spinning, weaving and garments is contributed by the cost of raw materials. TPT upstream industries such as fiber making, spinning and weaving are more sensitive to changes in energy prices due to the cost structure. Meanwhile, the garment industry is more sensitive to wages because the labor costs make up 27.1% of the total cost of production.

Globalization is marked by the end of the quota system in 2005 has pushed world textile trade more open and change the map of the market from the supply side management importer. Changes in world textile trade opportunities and pose a threat to the Indonesian textile industry. Emerging opportunities is the market share of the countries that had been protected by a quota system would be open. While the threat of Indonesian textile industry is intense competition among countries in the world textile producers, such as China, India, the United States and the European Union. While competition in the world market is increasing, conditions in the domestic industry actually relatively poor. One of the circumstances that worsen prospects for development of the textile industry in Indonesia is that the investment climate is not very conducive, while the textile industry is in desperate need of substantial investment to revitalize machines and technology that is already obsolete.

The textile industry in Indonesia over a period of 10 (ten) years known as a sunset industry, and even the banks as intermediary institutions reduce their work in channeling funds to the textile industry. This further aggravates the textile company's financial condition at that time, even until now the effect is still felt, where the company is likely to be difficult to gain the trust of the stakeholders concerned. The occurrence of this condition, making it difficult to develop the company in the ownership of current assets, which at the moment working capital condition is still relatively difficult to obtain, so it is very destabilizing existing capital structure. Selection of additional alternative capital from debt is generally based on low consideration, said low because the interest cost to be borne by the company less than the profits derived from the utilization of such debt (Gitman, 1994).

The increased capital structure was also boosted by the government's macro policies regarding stimulant for export-oriented companies (export oriented). However, the side effect of a sunset industry textile industry created difficulties in obtaining funds from debt. Therefore, it is not surprising in that period, many textile companies are facing financial difficulties (financial distress). Most of them can get out of these difficulties, but not the least of which ultimately must be liquidated or merged with other companies choose.

The difficulty in obtaining debt capital structure in the fulfillment of the textile industry on the one hand does cause financial performance industry as measured by Return on Assets (ROA) fluctuates both unidirectional and opposite to the movement of capital structure coefficients, however, overall there is a trend of decline in the acquisition of return in the industry. The company's performance is not only influenced by the capital structure, but also influenced by macro fundamentals, namely inflation, interest rates and economic growth are macroeconomic variables that are often seen as a factor that gives effect to the decision of capital market participants. These variables have the potential to improve or degrade the performance of the company, either directly or indirectly. Macroeconomic fundamentals are a reflection of systematic risk, deteriorating macroeconomic conditions will increase the risk of systematic which can degrade the performance of the company, and vice versa.

The movement of the rupiah against the USD supposed to influence the financial performance, let alone a company engaged in the textile industry related to export and import transactions are commonly used as a benchmark currency USD. Rupiah continues to strengthen could be bad news for exporters. The reason, their revenue could be cut off. Moreover those entrepreneurs who really rely on exports and with minimal portion of the domestic market. However, the positive impact, the cost of imports will be cheaper so that it can reduce the cost of production.

To meet the financial needs, the TPT Company gets working capital credit facility from a third party, among them is banking. Cost of capital obtained from banks affected by the interest rate of Bank Indonesia (BI Rate). So that the BI rate is also thought to influence the financial performance of the textile industry. In addition to the movement of the rupiah against the USD and the movement of interest rate (BI Rate), macro-economic conditions are expected to affect financial performance is the movement of inflation for the textile industry to produce primary products are very sensitive to the movement of the rate of inflation.

## **2. Literature Review**

The funding decision is to determine the source of the funds to be used, whether these funds come from outside or sourced within the company, and when these funds can be obtained and utilized by the company. The company's capital structure is a mix of all sources of long-term financing (equity and debt). In general, a company can choose a variety of alternative capital structure. Debt is one of the alternatives for the company's capital structure where the use of debt at any given moment will be more profitable than the company's own capital because it will lower the cost of capital and increase returns for shareholders.

The company's sources of funds can be obtained from internal and external sources. One of the celebrated theories related to investment financing is the theory of funding sequence (Pecking Order Theory). Pecking Order Theory was introduced by Gordon Donaldson in 1961. This research analyzes the corporate finance practice with the result that the company has in financing the sequence begins with a sequence of retained earnings, the debt to a third party with a loan or sell bonds and the latter by issuing new shares. The sequence is based on the financing costs to be incurred by the

company and the cost of equity is the highest cost.

The trade-off theory (Myers, 1977; 1984) asserts that in the use of debt will increase the value of the company to a certain leverage limits (optimal). And as the use of debt moves further, it will lower the value of the company due to an increase in probability of bankruptcy (bankruptcy cost gets bigger). The trade-off theory explains the relationship between tax, bankruptcy risk and the use of a debt due to the decision taken by the company's capital structure (Brealey and Myers, 1991). This theory is a balance between the advantages and disadvantages over the use of debt. Companies that continue to increase the debt will pay a greater interest and a possible reduction in net income of increasingly large and will bring financial difficulties (financial distress) and toward bankruptcy that ultimately led to bankruptcy costs.

Zwiebel in 1986 published his writings on "American Economic Review" with the title "Dynamic Structure Capital Under Management Entrenchment" which developed a model in which financial managers voluntarily choose debt (Voluntarily) with limitations to build the company in the future. Then Fisher, Heinkel and Zechner 1989 (model FHZ) conducted a study published in the Journal of Finance with the title "Dynamic Capital Structure Choice Theory and Test" which developed a dynamic model of capital structure so-called theory of dynamic capital structure. Fisher research results, Heinkel and Zechner stated that the company cannot make adjustments to the capital structure before the existing debt maturities. Model FHZ also outlines a tax advantage on the debt is generally omitted in which the tax benefit is a function of the volatility of the value of the company increases. Model FHZ also stated that the company can capitalize on the debt at any time and determine the critical value of the upper limit and lower limit leverage ratio which occur transaction costs to adjust (rebalance) the company's capital structure.

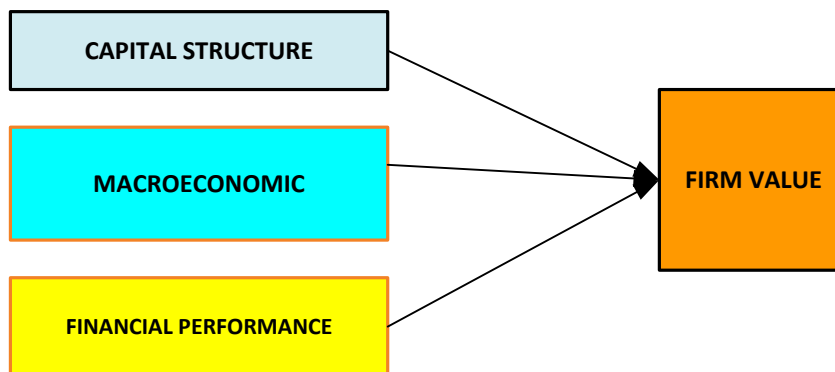
Pratheepkanth (2011) identified the impact of the Capital Structure of the Company's performance, taking into account the level of financial performance. The results showed a negative effect on the capital structure and financial performance largely depends on the debt capital structure. Berger, Allen N .; Bonaccorsi in Patti, Emilia (2003) proposed a new approach to test the theory of leverage affect agency costs and thus affect the company's performance using efficiency gains. The paper also control the size of the ownership structure. It was found that the data on the US banking industry is consistent with the theory, and the results are statistically significant, economically significant, and robust. Bouraoui, Taoufik & Li, Ting (2014) examined the impact of the adjustment of the capital structure of the business performance. It was found that changes in leverage a negative impact on performance, both in the short and long term after the Mergers & Acquisitions (M & A). Dzung Nguyen, Ivan Diaz-Rainey & Andros Gregoriou (2012) in "Financial Development and the Determinants of Capital Structure in Vietnam. It can be concluded that despite the emergence in recent years, Vietnam's capital structure the company is still dominated by the use of short-term debt as a source of financing. Osuji Casmir Chinaemerem & Odita Anthony (2012) in the "Impact of Capital Structure on the Financial Performance of Nigerian Firm" assess the impact of capital structure to the company's financial performance Nigeria. Results of the study is the ratio of debt to have a significant negative impact on the company's financial performance as measured by Return on Assets (ROA) and Return on Equity (ROE).

Abzari, Mehdi; Fathi, Saeed & Nematizadeh, Fateme (2012) examined the effect of macroeconomic variables perceived by the financial manager of the company's capital structure decisions listed in the Tehran Stock Exchange. Mine Aysen Doyran (2013) examined the relationship between performance and some macro and micro variables in the commercial banking industry. Regression analysis showed that there was no significant relationship between perceived macro-economic variables and how Iranian companies organize their capital structure, however, the majority of financial managers revealed a significant effect of exchange rates, inflation rates and interest rates, in order of importance, the structure capital company. Mine, Aysen and Doyran (2013) examined the relationship between performance and some macro and micro variables in the commercial banking industry of Argentina. The findings suggest that factors such as cost management (operational cost efficiency / inefficiency), leverage and liquidity appears to be an important force behind the net interest margin (NIM) and profit (ROA) in the banking industry of Argentina.

Capital structure problems stemming from debt is a source of external financing of the most important in the textile industry and textile products due to the financial performance of this industry over the last five years almost 40% of the company that is open is negative, so that this industry is an industry that is not attractive for investors to invest their funds. Textiles and textile products is the industry's nearly 90% of its raw materials are imported and exported most of its products that are very sensitive to some of the macroeconomic factors that may affect the company's capital structure such as inflation, interest rate policy of the Central Bank, and the index of the Rupiah Nominal Exchange Rate to USD.

With reference to the discussion of the pecking order theory and previous research, the measurement of the capital structure in this study using the Short Term Debt to Total Assets (STDTA), and Long Term Debt to Total Asset (STDTA). The financial performance in this study is the level of corporate profitability as measured by ROA (Return on Assets). ROA is the most comprehensive measure of the performance management as a whole because using three variables: (1) total revenues, (2) total cost and (3) the assets are used. If the company has a good ROA it will generate a satisfactory ROE (Ciaran Walsh, 2006: 58).

Based on the model of the relationship between variables that have been discussed, the overall research paradigm can be arranged as in the image below. In the picture the research paradigm described the relationship between the study variables where there is a relationship between capital structure and macroeconomic factors, on the financial performance.



Research Hypothesis:

Financial performance (ROA), Capital structure (STDTA and LTDTA) and Macroeconomic factors (inflation, exchange rate and interest rate BI) simultaneously Influence the Firm value

Partially:

- a. Return on Assets (ROA) influences positively towards firm value
- b. Short Term Debt to Total Assets (STDTA) influences positively towards firm value
- c. Long Term Debt to Total Assets (LTDTA) influences positively towards firm value
- d. Exchange rate influences positively towards firm value
- e. Inflation influences positively towards firm value
- f. BI Rate influence negatively towards firm value

### 3. Research Methods

This is a quantitative research that emphasizes analysis of numerical data (numbers) are processed with statistical methods, whereas the depth of analysis based on the type of research that will be used is descriptive and inferential. This study also includes research is explanatory study using a hypothesis testing against existing problems. To answer the research hypothesis used appropriate statistical methods in analyzing the causal link, the method of panel data regression analysis. Reason uses panel data regression analysis because the analysis aims to reveal the influence of independent variables on the dependent variable.

#### A. Sources and Determining Data

The unit of analysis in this research is the company Textiles and textile products that are listed in the Indonesia Stock Exchange and financial reports respectively during the period 2008-2012. The research method uses sampling techniques studied saturated so that the data cover the whole population of the unit of analysis, but there are two companies that delisted during the observation period so that the unit of analysis is only 20 companies.

#### B. Data Collection Techniques

This study uses secondary data and when required as verification and supporters will use primary data using interview techniques with the competent parties. Therefore, the data will be collected and processed by requesting reports related to the study to the Ministry of Finance, BPS, BI and BEI. Secondary data were used as the basis of calculation in this study originated from components of the annual financial statements of the issuer company TPT, which is observed in a range of 2008-2012 period. Thus the processed data included in this type of longitudinal data as a mix between time series (time series) with a cross section. Because the quantitative models used is an econometric model, this study uses panel data analysis.

#### C. Design Analysis and Test Hypotheses

Regression methods were used to estimate an econometric model for the purpose of this study was to look at the influence of independent variables on the dependent variable. From the results of hypothesis testing models can be

deduced the relationship between the dependent and independent variables. The model used in this study is mathematically formulated as follows:

$$PBV_{it} = \beta_{02} + \beta_{2.1}ROA_{it} + \beta_{2.2}STDTA_{it} + \beta_{2.3}LTDTA_{it} + \beta_{2.4}Kurs_{it} + \beta_{2.5}INF_{it} + \beta_{2.6}BIR_{it} + \epsilon_{2it} \dots$$

Where:

- KURS = Exchange Rate
- INF = Inflation Rate
- BIR = Interest Rate of Bank Indonesia (BI Rate)
- STDTA = Short Term Debt to Total Asset
- LTDA = Long Term Debt to Total Asset
- ROA = Return on Asset
- PBV = Price Book Value
- $\beta_n ; \gamma_n$  = Regression Coefficient
- $\epsilon$  = error terms
- i = 1,2...N
- t = 1,2...T

**EMPIRICAL FINDINGS**

In addressing the type of panel data to be used (Pooled or Fixed Effect), a hypothesis is developed and shown below.

Tests conducted by Chow-Test Hypothesis:

Ho: a model to follow Common Effect

H1: a model to follow Fixed Effect

Hypothesis	Statistic Test F	p value	Conclusion
<b>Hypothesis</b>	1.5664	0.0885	<i>Common (Pool) Effect</i>

Based on the above results, the p-value is greater than alfa 5%. As such, one cannot reject the null hypothesis. It is now evident that the study will proceed with the common effect model and the empirical results are presented in Table 1 below.

Table1. Estimation Result of Firm Value

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.161076	0.705945	1.644712	0.1034
ROA	0.115328	0.053754	2.145467	0.0345*
STDTA	0.116312	0.072725	1.599342	0.1131
LTDTA	1.206743	0.453270	2.662304	0.0091*
KURS	4.403122	0.790175	5.572341	0.0001*
INF	1.402302	0.531655	2.637615	0.0098*
BIR	-0.114924	0.417547	-0.275237	0.7837
R-squared	0.889527	Mean dependent var		7.595510
Adjusted R-squared	0.882400	S.D. dependent var		11.68756
S.E. of regression	4.007998	Akaike info criterion		5.681890
Sum squared resid	1493.956	Schwarz criterion		5.864252
Log likelihood	-277.0945	Hannan-Quinn criter.		5.755695
F-statistic	124.8061	Durbin-Watson stat		1.707025
Prob. (F-statistic)	0.000000			

Econometric Model test results as follows :

$$PBV_{it} = 1,1611 + 0,1153ROA_{it} + 0,1163STDTA_{it} + 1,2067LTDTA_{it} + 4,40313KURS_{it} + 1,4023INF_{it} - 0,1149BIR_{it} + e_{2it}$$

a. Return on Assets (ROA)

The results show that financial performances have a positive effect on firm's value. Results of this study are consistent with empirical studies conducted by Dodd and Chen (1996), Budiandriani, Mahfud and Nurnajamuddin (2014), and Ulupui (2007) which suggest that the ROA have positive effect on firm's value. Likewise, Dodd and Chen (1996) and Jogiyanto and Chendrawati (1999), state that ROA is significantly correlated with stock returns. In accordance with the concept of signaling theory (Leyland and Pyle, 1977), ROA can be used as signal information regarding the cash flow in the future. As such, ROA will have a significant positive effect on stock returns or value of the company. Budiandrian, Mahfud and Nurnajamuddin (2014) also state that financial performance is significant and positive in influencing the value of firms listed on the Indonesia Stock Exchange.

Financial performance is an important factor in enhancing the firm's value in the textile industry. The financial performance is one of the important considerations for investors before investing in the stock market. According to the theory of Efficient Market Hypothesis developed by Eugene F. Fama, the prices of securities reflect the historical price information plus information available to the public (e.g. financial statements, financial and business news in the media). The data used in this study is historical data over five years period and is available in public domain.

b. Short Term Debt to Total Assets (STDTA) influences positively towards firm value

In this study Short Term Debt to Total Asset predicted to have a positive correlation to firm value. The calculations show that the Short Term Debt to Total Asset was not significant (1.599342) is statistically the coefficient is positive (0.116312). These results indicate that the sub-hypotheses (b) which states that the variable Short Term Debt to Total Asset positive effect on the firm value was rejected or not accepted so the sub hypothesis can be ignored. Regression analysis provides information primarily about the direction of the positive coefficient indicates that the pecking order theory has a relative support, according to this theory in financing companies base sequence of retained earnings, debt and new share issuance. However the insignificant leads to support that theory becomes meaningless. Short-term capital structure as measured by the Short Term Debt to Total Asset has a positive coefficient, this coefficient is equal to the initial predictions of researchers, it is confirmed that the Short Term Debt to Total Assets is still difficult to obtain by the textile industry because the banks reduce their work in distributing the funds.

Meaning that can be explained from the results of this regression is that the fulfillment of the capital structure of the textile industry does not come from short-term debt. This shows that the textile industry is still the industry which includes a sunset industry category, because it is still difficult to get short-term financing from banks, until recently regarded as the industrial textile industry is high risk (study results from the Investment Coordinating Board - BKPM in 2012).

Regression analysis indicated that the Short Term Debt to Total Asset relative does not have a significant impact on the value of the company. Investors see that additional short-term loan made by the textile industry tend to be used for operation of company, not for the purchase of investments, so it is not a consideration investors for sell or buy shares.

c. Long Term Debt to Total Assets (LTDTA) influences positively towards firm value

These results indicate that the sub hypothesis (c) which states that the Long Term Debt to Total Asset positive effect on firm value is acceptable. Results of this study are consistent with empirical studies conducted by Ogbulu et al (2012). Ogbulie et al (2012) showed that in a developing economy like Nigeria's long-term debt as a component of capital structure was found to be the major determinant of the value of the company. From the findings of this study, the company's financial decision makers are advised to further optimize the long-term debt rather than capital to finance their operations because it produces a positive corporate value. Collins (2012) states that leverage the company positively affect the market value

Meaning that can be explained from the research that the textile industry in increasing the value of the company can optimize the long-term debt. Increased long-term debt used for investment (capital expenditure) in the form of the purchase of new, more modern machines or rejuvenation machine will be perceived well by the market, is expected in the future will increase the company's performance. The company's move will increase investor interest in the shares of TPT which is then pushed up the value of the company.

d. Exchange rate influences positively towards firm value

These results indicate that the sub hypothesis (d) which states that Exchange rate positive effect on firm's value is acceptable. Results from this study are consistent with empirical studies conducted by Claude, et al, (1996) which states economic risk (including exchange rate) is positively associated with stock returns in developed countries.

It is vital to explain how depreciating Rupiah (increase in the exchange rate) can actually increase the value of the textile companies. It is worthwhile to note that the Indonesian Stock Market is highly dominated by foreign investors. The increase in the US Dollar will increase the interest of foreign investors to buy more shares from the exchange. The findings of this study help explain how movements of Rupiah against US Dollar provide a positive impact on the performance of Indonesian stock market.

In addition, positive coefficient in this variable also indicates that the average companies tested in this study have target markets outside of Indonesia. Since their products are mostly meant for export markets, an increase in exchange rate or depreciating Rupiah will deliver a positive impact on the companies as their US Dollar transactions are now relatively cheaper. A number of companies that have a market-oriented structure of the foreign market (export oriented) will be relatively more sensitive to the change in the exchange rate against foreign currencies, especially the US Dollar. The sensitivity is reflected in the high volatility of the company's operating revenues. Whenever US Dollar experiences a correction and technically devalued, then the company's revenue is adversely affected. Majority of the companies sampled in this study involves multinational companies (MNC), particularly from U.S and Europe.

e. Inflation influences positively towards firm value

In this study, inflation is predicted to have a positive correlation to firm value. These results indicate that the sub hypothesis (e) which states that inflation is a positive influence on the firm value is acceptable. Results of this study are consistent with empirical studies conducted by Athanoglou et al., (2005) which suggests inflation and other macro-economic variables affect firm value. Mirza Hashem Vejjagic & Zarafat (2014) stated that in order to maintain profitability, should be done in anticipation of inflation in order to protect revenues and reduce costs.

Meaning that can be explained from the results that the increase in the inflation rate actually increases the value companies of the textile industry. In theory inflation is rising prices in general and continuously. The increase in the price of goods and services generally occur almost simultaneously with various triggers. One factor price increase means the demand for such goods or services, including products or investment instruments such as stocks. The increase in inflation under control positive impact on the value of the textile company.

f. BI Rate influence negatively towards firm value

The interest rate (BI Rate) is found to have a negative correlation with firm's value. These results indicate that the sub hypothesis (f) was rejected at 5% level. These results are consistent with research conducted by Tajul Khalwaty (2000) that the interest rate is not significant because the level of interest rates is a conventional instrument to control or reduce the rate of growth of inflation. Regression analysis provides information that interest rates charged banks is very high because the industry is considered a high risk industry, thereby reducing the company's desire for fulfillment TPT capital structure with bank credit. These results are also consistent with the results of the study by the Investment Coordinating Board (BKPM) in 2012.

### Conclusion and Discussion

Based on the results of the study, corporate strategies must consider the factors that influence firm's value in textile industry, namely the capital structure (Long Term Debt to Total Asset) and macroeconomic factors (Inflation and Exchange Rate / Exchange Rate). Strategy mapping is done on the significant variables because in essence these variables have significant roles in influencing the firm's value.

Table 2. The Relationship of Solution Variable and Firm Value

VARIABLE	Years					Average	fluctuation
	2008	2009	2010	2011	2012		
<b>exchange rate</b>	9,68	10,40	9,10	8,78	9,40	9,41	0,84
<b>Inflation</b>	11,06	2,78	6,96	3,79	4,30	5,91	22,2
<b>LTDTA</b>	0,22	0,32	0,36	0,50	0,30	0,34	0,02
<b>ROA</b>	-18,03	3,61	-0,04	19,07	0,86	2,05	4,02
<b>PBV</b>	0.90	2.98	4,15	-1,31	2,37	1,82	0.37

Table above shows that the textile and textile's product industry has a capital structure in the form of long-term debt to total assets on average only increased by 0.02% from an average of 0.34% of the company's debt so that there is an average increase in financial performance of 4.02% which lead to an increase in the average value of the company amounted to 0.37%. This was due to an increase in the average exchange rate of 0.84% and an increase in the average inflation rate of 22.2%.

Based on empirical results in this study, exchange rate, inflation, capital structure and financial performance have positive relationships with firm's value. These relations imply that if there were an increase in inflation, exchange rates, capital structure and financial performance, then it would trigger an increase in firm's value as well. Increase in inflation signals potential increase in interest rate while an increase in exchange rate indicates depreciating Rupiah. The development of these two economic variables should be detrimental to the stock market performance but in actual facts, it turns out to be the opposite. This market phenomenon is indeed unexplainable. Results from the analysis support the notion that firm's value has a significant relationship with capital structure. An optimal capital structure (financing policy) has strong influence on firm's value which in turn maximize firm's share price. Needless to say, the firm's financial performance is also an important factor that maximizes firm's value.

Firm's value moves in tandem with an increase in firm's financial performance. To improve the financial performance, the company must increase sales and reduce the cost of sales, thereby increasing the company's net worth. Increase firm's value will undoubtedly pave ways to the maximization of shareholders' wealth.

Table 3. Operational Strategy Development Capital Structure

Strategy	Operational Stage	Controlling
Development of company's capital structure	1) Emphasizing on improving the appropriate capital structure policies by comparison with Long Term Debt to Total Asset in financing companies 2) Continuing the program of revitalization of the textile and textile's product machine	1) Taking into account the level of debt at the expense of the use of debt 2) Making adjustments to the capital structure after the maturity of existing debt

Table 4. Operational Strategy of Finance Performance Improvement

Strategy	Operational Stage	Controlling
Improvement of Financial Performance	1) Increase the profitability of the company 2) Increased sales of textile product and cost efficiency.	Maintaining the level of profitability above average industry

Table 5. Operational Strategy to Improve Firm's Value

Strategy	Operational Stage	Controlling
Improving Firm Value	1) Increase the company's profitability by increasing sales and reducing costs of sales 2) Determination of appropriate capital structure policy by using long-term debt ratio to total assets. 3) Anticipate macroeconomic factors with security against rising exchange rate and inflation using hedging	1) Taking into account the level of debt at the expense of the use of debt 2) Making adjustments to the capital structure after the maturity of existing debt 3) Maintain the level of profitability above average industry 4) Pay attention and maintain a stable exchange rate and inflation

As a whole, this study has shown that the simultaneous influence of financial performance, capital structure and macroeconomic factors on the value of textile and textile's product companies listed at the Stock Exchange Indonesia. The dominant variable of capital structure is Long Term Debt to Total Assets (LTDTA). The dominant variables of macro-economic are exchange rate and inflation. On the contrary, Short Term Debt to Total Assets (STDTA) and interest rates do not have statistically significant impact on firm's value.



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