



## Improving market value of textile and garment company through company growth, company financial performance, and macroeconomics

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### Abstract

There are so many studies on the company's market value. However, most studies do not verify the macroeconomic effect on certain industries. Research on macroeconomic as moderators in increasing the company's market value is still limited also. Therefore, macroeconomics (interest rates) presented in this study as a moderator to examine the effect of company growth (increased sales) and company financial performance (ROA) to the company's market value (PBV). It expected to provide additional information to individuals, lecturers, and business actors on how to increase company market value and what factors must be considered to increase it. The population is all go-public companies, and the samples are manufacturing companies-textile and garment sub-sectors during 2015-2020. Multiple linear regression and SPSS are used as the data analysis technique. The results imply that the increase in sales has no influence on PBV. Even though interest rates have been presented, it still can't strengthen the effect of increased sales on PBV. ROA influences PBV. However, after presenting interest rates, it turns out that interest rates weaken the influence of the ROA level on PBV. This result shows that macroeconomics can moderate the connection of company financial performance to the company's market value.

**Keywords:** Sales Growth; ROA; Macroeconomics; PBV

### Abstrak

Terdapat banyak penelitian terdahulu tentang nilai pasar perusahaan. Namun, sebagian besar penelitian tidak melihat pengaruh variabel makroekonomi pada industri tertentu. Penelitian tentang faktor makroekonomi sebagai moderator dalam meningkatkan nilai pasar perusahaan juga belum banyak. Oleh karena itu, penelitian ini menghadirkan makroekonomi yang diproxy oleh suku bunga sebagai moderator untuk menguji pengaruh pertumbuhan perusahaan yang diproxy oleh peningkatan penjualan dan kinerja keuangan perusahaan yang diproxy oleh ROA terhadap nilai pasar perusahaan yang diproxy oleh PBV. Sehingga diharapkan dapat memberikan tambahan informasi kepada individu, dosen, maupun pelaku usaha tentang bagaimana meningkatkan company market value serta faktor apa saja yang harus diperhatikan untuk meningkatkannya. Populasi penelitian yaitu semua perusahaan yang sudah go public. Sedangkan sampelnya adalah perusahaan manufaktur, subsektor textile dan garment tahun 2015-2020. Penelitian ini menggunakan analisis regresi linear berganda dengan SPSS sebagai teknik analisis data. Menurut hasil uji, peningkatan penjualan tidak berpengaruh terhadap PBV. Meskipun telah dihadirkan suku bunga, ternyata suku bunga tetap tidak mampu memperkuat pengaruh peningkatan penjualan terhadap PBV. Selain itu, dapat diketahui pula bahwa ROA berpengaruh terhadap PBV. Setelah dihadirkan suku bunga, ternyata suku bunga memperlemah pengaruh tingkat ROA terhadap PBV. Hal ini menunjukkan bahwa

makroekonomi mampu menjadi moderator bagi kinerja keuangan perusahaan terhadap nilai pasar perusahaan.

**Kata Kunci:** Peningkatan Penjualan; ROA; Makroekonomi; PBV

## INTRODUCTION

The company market value is essential to show the shareholder's welfare level. Company management would improve company performance to maximize the firm value in the stock market (Mudjijah, Khalid, & Astuti, 2019). The higher the firm value, the higher welfare of investors or company's owner will be (Michael, 2019). The promising company value will open investment opportunities and attract many investors because its value will alert investor if the company's growth is significant. Moreover, the value will increase when the company is in good condition (Michael, 2019).

Textile and garment enterprise value in Indonesia attracts further research because the textile industry is considered a foreign exchange earner, a labour-intensive industry, which is able to absorb labour including workers with low education. In the history of the Indonesian economy, the textile industry has been one of the prima donna of Indonesia's exports to various countries in the world, especially the United States and Japan, as well as being the cornerstone of the growth of the manufacturing sector. In addition to absorbing a lot of workers, the garment industry also increases the country's foreign exchange, meets the needs of clothing or fashion, and encourages economic growth (Pradana, 2020).

The growth of the textile industry is very promising and attracts investors, data shows that in the period 2017-2019 the textile industry experienced significant growth in a row, recording growth of 3.5%, 8.25%, and 15.45%, respectively (Kemenperin, 2021). In 2020, after covid-19 hit, this secondary goods industry experienced a significant contraction with a decrease in growth in the first quarter of 1.24%, 14.23% decrease in the second quarter, so that the accumulated decline in 2020 was -8.88% (Perindustrian Republik Indonesia, 2021). This significant decline in growth phenomenon from 15.45% in 2019 to be -8.88% in 2020, needs more attention to determine the market value of the textile industry. This research tries to answer, is Indonesian textile and garment enterprise value still high? Is it worth investing in textile and garment companies? What factors affect the market value of textile and garment companies? Can the macroeconomics strengthen or weaken these factors in influencing the market value of the company? How to increase market value of the company through company growth, financial performance, and macroeconomics factors?

Based on various studies that have been done previously, it can be mentioned that various factors affect the company's market value, such as company growth, company performance, the use of assets (Rahayu, 2019); good corporate governance, dividend policy (Yulianto, Suhadak, Darminto, & Handayani, 2014); corporate social responsibility (Batubara, 2021); profitability, capital structure (Issah & Antwi, 2017; Yulianto et al., 2014); working capital management (Soukhakian & Khodakarami, 2019), and so on. On this research, the growth of the company, financial performance, and macroeconomics will be used to measure market value of the company. The firm's growth proxied by increased sales (Faisal, Suwandi, & Afiqoh, 2021; Rahayu, 2019). The firm's financial performance represented by return on assets or ROA (Rahayu, 2019; Syafii et al., 2020). Finally, macroeconomics is proxied by interest rates (Rusdiyanto, Hidayat, Soetedjo, Tjaraka, Septiarini, Gazali, & Rahayu, 2020; Syafii et al., 2020). Meanwhile, the price to book value ratio or PBV will be used as company's market value proxy (Michael, 2019).

The research was conducted to answer the findings of previous research that were not conclusive. Rahayu (2019) in her study discovered that the growth of the company has

an important impact on the market value of the company. Good company growth represent the company's capability to dominate a broader market, generate high sales, and obtain higher corporate profits. The company market value will also be higher when the company's profits are high (Antoro, Sanusi, & Asih, 2020). Furthermore, Rahayu (2019) uses sales growth to measure a company's growth. Meanwhile, Faisal et al. (2021) said that a company's growth has an insignificant negative influence on the firm value. Therefore, the growth of the company does not need to be considered by investors when they want to invest in a company.

In addition, Rahayu (2019) proves that the financial performance of the company has a positive and important impact on the market value of the company. Investors believe that if a financial performance of the company is heightened, the prospects of the company will be better, followed by a higher company stock price. Therefore, many investors interested in buying companies whose performance are very promising. When so many investors buy the shares, the company shares value will be higher (Adi, Suhadak, Handayani, & Rahayu, 2013). It is also confirmed that financial performance affect company's market value positively and significantly (Asiri & Hameed, 2014). On the other hand, Syafii et al. (2020) said that ROA as financial performance of the company indicator has no impact on stock prices which is company's market value indicator.

System theory will be used in this study to see how internal and external factors interact, influence each other, which determine the results as a whole in order to explain the inconclusiveness of previous research (Egbunike & Okerekeoti, 2018). The macroeconomic factor proposed in this study is the interest rate. Interest rate of Indonesian Bank and inflation have no effect on stock prices (Rusdiyanto, Hidayat, Soetedjo, Tjaraka, Septiarini, Gazali, & Rahayu, 2020). But according to Michael (2019), inflation, as one of the macroeconomic indicators, has been proven to moderate the influence of profitability as financial performance indicator in firm value. However, Soukhakian and Khodakarami (2019) found that macroeconomic cannot moderate the influence of working capital management and company financial performance. Similarly, La Rocca, Staglianò, La Rocca, Cariola, and Skatova (2019) said that macroeconomics could not be a moderator between cash stock ownership and company financial performance.

Build upon the previous description, it could be seen if there are so many studies on the company's market value. However, most studies do not test the macroeconomic effect on specific industries (Soukhakian & Khodakarami, 2019). Moreover, various theories and empirical findings above also show that there is still an inconsistent effect of a company growth and financial performance of the company with company's market value. Consequently, in this study, the researcher seeks to provide a control mechanism for a company's growth and financial performance to be more effective in increasing the company's market value. Soukhakian and Khodakarami (2019) also said that in developing countries, macroeconomic factors greatly influence the company. However, research on macroeconomic factors as moderators in increasing the company's market value is still limited. Therefore, macroeconomics is presented in this study to determine whether it can strengthen or weaken the impact of a company growth and company financial performance towards market value of the company.

The company was founded to improve shareholders' welfare by escalate the market value of the company. The managers or board of directors are trusted to manage the company in generating profits and increasing owner welfare (Rahayu, 2019). Asset utilization is essential in achieving company goals (Rahayu, 2019). Assets utilization is the use of assets of the company that have been divided in such a way to make products and services in order to achieve company goals.

An efficient market is a market condition where the market price of the stock perfectly reflects all the firm information. When stock price is changes, market price will react quickly. To measuring the information efficiently, investors can investigate the stock and accounting information relationship. It is similar to Rusdiyanto, Hidayat, Soetedjo, Tjaraka, Septiarini, Gazali, and Rahayu (2020) statement, which states that research related to firm value aims to determine the relationship of a value in financial reports with stock price.

Leverage irrelevance theory presents that market value of the company is decided by the hit achievement of investments created by the firm (Rahayu, 2019). Meanwhile, the success of the company's investment cannot be divided from the use of company assets in funding its activities, including the production and services that provide income or profits for the company. Sales profit will escalate the wealth of the firm's owner. Therefore, the main purpose of utilizing firm assets is to gain higher profits to increase the enterprise market value. The theoretical complicity of asset utilization on the enterprise market value is an higher asset utilization ratio, which increases the market value of the company (Rahayu, 2019). The company's market value means equity book value and stock price.

This study using price to book value (PBV) to represent market value, followed Michael (2019) research. PBV is the stock price ratio to the company's book value. For non-financial companies registered on Indonesia Stock Exchange, PBV can be enumerated by divide the shares closing price to the book value of the company. PBV compares the capitalized share price with the equity value recorded in the books. The function is to observe the company's capability to produce market value. If the ratio is large, it shows a high stock value (Husnan & Enny, 2015). The immense PBV ratio means that the stock price is expensive or overvalued; on the contrary, the lower PBV ratios imply the stock price is cheap or undervalued.

Company desires to reach a continuous growth because the growth of company confirms that it is in significant development (Michael, 2019). Company's growth described as how dominant company's position in the same industry or on the whole economic system (Damodaran, 2012). A company's growth refers to its ability to create sustainable development that increases its assets over time (Rahayu, 2019). Rasyid (2015) states that asset growth is one shape of investment made by the company. Assets growth pictures a change in assets per year. While Antoro et al. (2020) said that company growth shows positive signals, good development, and will have a beneficial impact. Well-developed companies tend to show positive growth. The company's primary goal is sustainable and positive development, which can be achieved by maintaining competitiveness, increasing the company owner's wealth, and offering consumer products and services. A company's growth can be achieved gradually by expanding the company, developing products, diversifying products, work up the number of employee, increasing sales, profit, and the assets of the company (Rahayu, 2019).

Faisal et al. (2021) stated that company growth also acts as a company's value measure. The company's growth results from changes in cash flow caused by operational activities due to a decrease or increase in business volume. Rahayu (2019) proves that company growth has an important impact on a company's value. Arfan and Rofizar (2013) also reveals that a company's growth have no significant but positive influence on the value of the company. While Shabri Abd and Benazir (2015) discover if company's growth had a significant and positive impact to the company's value. Dhani and Utama (2017) declares that company growth is an alteration in the company's total assets where last year's assets growth describes profitability and future growth. The company's growth is indicated by an

enhancement in sales, profits, and company assets (Oppong-Boakye, Appiah, & Afolabi, 2013; Rahayu, 2019; Saeed, Munir, Lodhi, Riaz, & Iqbal, 2014).

In this study, company growth will be proxied by increasing sales following the study (Oppong-Boakye et al., 2013; Rahayu, 2019; Saeed et al., 2014). The increase in sales is a determinant of the market value of the company. Since increase in sales is expected to enhance the company owner's wealth. Therefore, the increase in sales plays a crucial role in escalate the market value of the company. Both external also internal company improvements will be seen as investment chance in the future. Companies with a higher chance of increasing sales can positively signal their promising prospects. Therefore, investors are interested in companies with a higher chance of increasing sales instead of companies with a lower chance of increasing sales.

H: Company's growth affects the market value of the company.

The company's value will be increased with the financial performance of the company in generating stock price and profits. Accomplished high firm performance will reflect the firm's health (Faisal et al., 2021). Financial performance is the firm's outcome of continual efforts to utilize and manage its resources most effectively and efficiently to reach specific goals (Rahayu, 2019). Signalling theory explains that financial performance affects a company's market value. Information publication connected to the firm's financial performance is a reliable sign for stakeholders who need to know the company's financial statements. Investors believe that a firm with a good financial performance trend to have preferable potential. Therefore, plentiful investors are fascinated in purchasing company stock bringing the company's stock price up (Rahayu, 2019). Michael (2019) said that company's financial performance (ROA) affect the market value of the company. Similarly, Asiri and Hameed (2014) along with Adi et al. (2013), in their research, discover that financial performance affect the market value of the company. Improved financial performance can increase a company's value.

In this research, the firm's financial performance is represent by return on assets (ROA) (Michael, 2019), in line with Muhammad and Rahim (2015) research. Muhammad and Rahim (2015) along with Michael (2019) said if the performance of the company can be assessed by the financial ratio. There are 5 financial ratio (Fidiana & Handayani, 2015). Then Issah and Antwi (2017) said that ROA is the most commonly used performance measure. According to Rahayu (2019), financial performance indicators can be assessed by several financial ratios. The most used ratio is ROA. ROA shows company's ability in using their all of assets to generate after-tax profits (Fidiana & Handayani, 2015). ROA describes a company's capability to arrange its assets in making more profit. So that companies can invest in projects that are considered promising to increase the market value of the company.

H<sub>2</sub>: Company's financial performance affects the market value of the company.

Factor's outside a firm's control, such as macroeconomics, played a crucial role in policies and short-term decisions taken by the company (Soukhakian & Khodakarami, 2019). Additya, Singa, and Maulana (2018) said if a country's macroeconomic condition is one factor which is influence the company's performance in a nation. Thus, macroeconomic conditions affect stock price movements (Rusdiyanto, Hidayat, Soetedjo, Tjaraka, Septiarini, Gazali, Herli, et al., 2020). Therefore, the investor have to notice overall macroeconomic conditions before investing. Investors tend to hold back when economic not in a good situation. But, investors will tend to invest when economic situations better. Therefore, an investor's ability to predict and understand future macroeconomic situations is very beneficial in creating investment decisions.

In order to get maximum profit, investors have to pay attention to several macroeconomic indicators before making an investment decision. According to Additya et al. (2018), macroeconomic indicators often associated with the capital market are interest rates, rupiah exchange rate, inflation, stagnant growth, and unemployment. In this study, macroeconomics will be proxied by interest rates (Additya et al., 2018; Syafii et al., 2020). Interest rates in Indonesia are regulated by Indonesian Bank directly. BI rate described as interest rate policy that is represent the monetary attitude. It also can be described as a monetary policy set by Indonesian Bank and declared to public. High-interest rates will encourage people to do saving instead of invest. On the other hand, a low-interest rate will encourage people to invest instead of saving (Rusdiyanto, Hidayat, Soetedjo, Tjaraka, Septiarini, Gazali, Herli, et al., 2020). So it can be concluded that BI interest rates positively affect stock prices (Rusdiyanto, Hidayat, Soetedjo, Tjaraka, Septiarini, Gazali, Herli, et al., 2020).

H<sub>3</sub>: Macroeconomics can moderate the influence of a company's growth on the company's market value.

H<sub>4</sub>: Macroeconomics can moderate the influence of a company's financial performance on the company's market value.

Based on the previous description about variables relationship and hypothesis, the research framework can be arranged as Figure 1 below.

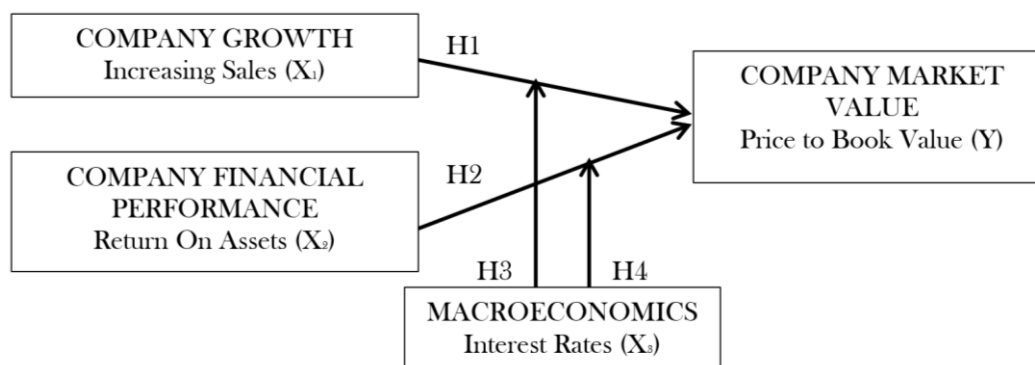


Figure 1. Conceptual Framework of the Research

## METHOD

This explanatory research examines causal relationships between variables that show a particular symptom. This study explains the relationship between variables in the study, and then tests the proposed hypothesis. Researchers use secondary data from financial reports published by manufacturing companies, textile, and garment sub-sectors during 2015-2020. It is because Indonesia's textile and apparel industry is compelling. This secondary goods industry has experienced a relatively high increase. However, after Covid-19, the industry has shown a weaker performance. In general, the pandemic has a negative impact, such as a decline in sales and company financial performance. Pandemic continues to influence the value of the company. Therefore, the value of companies in the textile and garment industry needs to be further investigated to give investors insight into what variables can improve the company's market value. In addition, this research also answers whether macroeconomic changes during a pandemic were able to strengthen or weaken these factors in influencing the company's market value. Researchers also use books, online magazines, and government reports that are accessed through their website, as well as research journals to present information about anything related to this research.

Research population is every going public companies listed on Indonesia Stock Exchange. Purposive non-random sampling is used as the sampling method. Sample determination is not random and based on particular considerations (Indriantoro & Supomo, 2014). So, it used 21 textile and garment companies registered on Indonesia Stock Exchange from 2015 to 2020 that published financial reports.

The data obtained will be calculated based on measure of each variable in Table 1. Company growth measured by difference of the sales (year X and the previous year) divided by sales in previous year. Company financial performance is measured by net income per total assets. Macroeconomics measured by BI interest rate every year. Company market value measured by closing price per share in the end of year divided by book value. Data analysis technique using multiple linear regression. It is used to decide the influence between the independent variables (company growth and company financial performance) and dependent variable (company market value). SPSS version 25 is used as an analytical tool.

**Table 1. Operational Definition of Variables**

Variable	Indicator	Measure
Company growth	Increasing sales	$\frac{\text{Sales year X} - \text{sales year X-1}}{\text{Sales year X-1}}$
Company financial performance	Return on assets	$\frac{\text{Net income}}{\text{Total assets}}$
Macroeconomics	Interest rate	Bank Indonesia interest rate every year
Company market value	Price to book value (PBV)	$\frac{\text{Closing price per share in the end of year}}{\text{Book value}}$

## RESULT AND DISCUSSION

The collected data must be tested using normality, autocorrelation, multicollinearity, and heteroscedasticity tests to ensure that the data have good quality and meet the requirement for multiple regression tests. Normality test result using Kolmogorov-Smirnov test show significance value is 0.200. It is more than 0.05. So it can be decided that the data is distributed normally. Autocorrelation result test using the Durbin-Watson shows that the Durbin-Watson value is 1.653; it is between 1.55 to 2.46; there is no autocorrelation, so the next testing stage can be carried out. Normality test result can be read from Table 2 as follow.

**Table 2. Normality Test Result**

		Unstandardized Residual
N		21
Normal Parameters	Mean	0.000
	Std. Deviation	0.804
Most Extreme Differences	Absolute	0.149
	Positive	0.103
	Negative	-0.149
Test Statistics		0.149
Asymp. Sig. (2-tailed)		0.200

Autocorrelation test result served in the Table 3.

**Table 3. Autocorrelation Test Result**

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
0.599	0.359	0.267	0.806	1.653

Furthermore, the multicollinearity test can be done by VIF (Variance Inflation Factor) and tolerance values. The tolerance value for  $X_1$ ,  $X_2$ , and  $X_3$  variables severally are 0.866, 0.910, and 0.880 which are the value  $>0.10$ . It means no multicollinearity problem in the model. Moreover, it may be read that the VIF score of three independent variables severally are 1.155, 1.099, and 1.136 which are the value  $<10.00$ . These results imply no multicollinearity symptom in the model. Meanwhile, the heteroscedasticity test was conducted using Park Test. The test result show t value for  $X_1$ ,  $X_2$ , and  $X_3$  variables severally are -0.531, -1.280, -0.548 which are the value  $< t$  table  $_{(0,05;20)} = 2.086$ . So it could be decided that there is no heteroscedasticity problem. Multicollinearity test result can be read from Table 4 as follow.

**Table 4. Multicollinearity Test Result**

Model	Collinearity Statistics	
	Tolerance	VIF
$X_1$ (Company growth)	0.866	1.155
$X_2$ (Company financial performance)	0.910	1.099
$X_3$ (Macroeconomics)	0.880	1.136
Dependent Variable : Y (Company market value)		

Heteroscedasticity test result served in the Table 5.

**Table 5. Heteroscedasticity Test Result**

Model	Heteroscedasticity
	Park test - t value
$X_1$ (Company growth)	-0.531
$X_2$ (Company financial performance)	-1.280
$X_3$ (Macroeconomics)	-0.548
Dependent Variable : Y (Company market value)	

Based on the various classical assumption tests above, it can be recapitulate if the data does not contain auto-correlation, normally distributed, and does not occur multicollinearity and heteroscedasticity problems. Therefore, the data is ready for correlation and multiple linear regression tests. Regression test result served in Table 6.

**Table 6. Regression Test Results**

Model	Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error			
1	Constant	9.361	0.548		17.086	0.000
	X1	-0.331	0.181	-0.319	-1.830	0.081
	X2	0.330	0.100	0.575	3.297	0.003*
2	Constant	9.535	1.438		6.633	0.000
	X1	-0.339	0.195	-0.327	-1.741	0.096
	X2	0.333	0.105	0.581	3.169	0.005*
3	X3	-0.114	0.862	-0.025	-0.132	0.896
	Constant	8.151	3.114		2.618	0.012
	X1	-0.225	1.193	-0.119	-0.189	0.851
4	X3	0.869	1.235	0.110	0.703	0.486
	X1*X3	0.803	1.227	0.418	0.654	0.517
	Constant	8.832	1.713		5.156	0.000
	X2	0.421	0.127	0.608	3.318	0.003*
	X3	0.741	1.018	0.117	0.728	0.473
	X2*X3	-0.302	0.120	-0.463	-2.526	0.018*

Dependent Variable = Y

Note: \* significance level 5%

Simultaneous influence of the independent variable on the dependent variable can be read in the Table 7 below.

**Table 7. Simultaneous Test Result**

Model	R Square	F Test	
		F	Sig.
1	0.358	6.137	0.008*
2	0.359	3.914	0.023*
3	0.087	1.338	0.275
4	0.330	4.271	0.014*

Note: \* significance level 5%

Based on coefficients on Table 6, can be arrange 4 multiple linear regression equation, they are:

$$Y = a_1 + b_1X_1 + b_2X_2 + e_1 \quad (1)$$

$$Y = 9.361 - 0.331X_1 + 0.330X_2 + e_1$$

$a_1$  value 9.361 indicates that if increasing sales and interest rates are constant, the estimated ratio of share price to the book value of the company (PBV) is 9.361 USD. The  $b_1$  value -0.331 indicates if the return on assets is constant, then every 1 USD increase in sales will decrease PBV by 0.331 USD. The increase in sales has a significance value  $0.081 \geq 0.05$ . Then H1 is rejected. The company's growth has no effect on the company's market value. It means that the company's growth does not affect the textile and garment market value.  $b_2$  coefficient value show 0.330 indicates if sales growth is constant, then every 1 USD return on assets increase, it will increase PBV 0.330 USD. The return on assets has a significant value  $0.003 \leq 0.05$ . So, H2 is not rejected. Company financial performance affected company's market value. It means that return on assets affect PBV.

The influence of macroeconomics on company's market value can be described from the second multiple regression linear equation below.

$$Y = a_1 + b_1X_1 + b_2X_2 + b_3X_3 + e_1 \quad (2)$$

$$Y = 9.535 - 0.339X_1 + 0.333X_2 - 0.114X_3 + e_1$$

The multiple linear regression Model 2 above include macroeconomics in the equation. It can be read that  $b_3$  coefficient value is -0.114. If the increase in sales and return on assets is constant, then every interest rate increase in 1 USD will decrease PBV by 0.114 USD. In addition, significant value show  $0.896 \geq 0.05$ . Means macroeconomics has no influence on the market value of the company. Interest rate has no effect on PBV.

Based on the R square value model 2 in Table 7, company's growth, company's financial performance, and macroeconomics together affect the company's market value by 35.9%. The remaining 64.1% is affected by various factors that are not present in this study. Anova test or F test model 2 shows 3.914 with a significance level of  $0.023 \leq 0.05$ . The independent variables simultaneously affect dependent variable.

The effect of macroeconomics in moderating company growth on the market value can be seen from model 3 in Table 6. The following regression equation can be made:

$$Y = a_1 + b_1X_1 + b_3X_3 + b_5X_1X_3 + e_1 \quad (3)$$

$$Y = 8.151 - 0.225X_1 + 0.869X_3 + 0.803X_1X_3 + e_1$$

Variable  $X_1 * X_3$  gives a coefficient value 0.803 with significance level  $0.517 \geq 0.05$ .  $H_3$  is rejected. This variable is an interaction between increased sales and interest rates. So it can be concluded that interest rates cannot moderate the relationship of company growth and company's market value.

R square value 0.087 means 8.7% of the variation in the ratio of stock prices to book values can be explained by increased sales, interest rates, and moderate variables1 (multiplication between increased sales and interest rates). While another 91.3% is explained by other factors. Anova test or F test showed 1,338 value with significance level  $0.275 \geq 0.05$ . It means the increase in sales, interest rates, and moderate variabels1 simultaneously (together) cannot affect the PBV.

The fourth equation based on multiple linear regression result test presented in Table 6 can be made as follow:

$$Y = a_2 + b_2X_2 + b_1X_3 + b_6X_2X_3 + e \quad (4)$$

$$Y = 8.832 + 0.421X_2 + 0.741X_3 - 0.302X_2X_3 + e$$

Variable  $X_2 * X_3$  gives -0.302 coefficient value with significance level  $0.018 \leq 0.05$ .  $H_4$  is not rejected. Variable  $X_2 * X_3$  is the interaction between the return on assets (ROA) and interest rates. It can be deduce if interest rate can moderate the effect of company's financial performance on company's market value.

R square value 0.330 means 33% variation of the PBV can be explained by ROA, interest rate, and moderate variables2 (multiplication between return on assets and interest rate). While the last 67% described by other factors. Anova test or F test shows 4.271 value with significance level  $0.014 \leq 0.05$ . It means the return on assets (ROA), interest rates, and moderate variables2 (multiplication between ROA and interest rate) together can affect the PBV of textile and garment companies.

### **Company Growth's Influence on Company's Market Value**

The research result explains that a company growth has no effect on textile and garment companies' market value. The increase in sales has no effect on the ratio of stock prices to the book value of the company (PBV). This results align with (Faisal et al., 2021) research result, which discover that company growth has an insignificant negative impact on firm value. So that investor do not need to consider this factor when they are going to invest in a company. A company's growth proxied by sales increase does not ensure that the company's market value is high. Because when a corporate develops, the sales will increase, but on another side, the company will increasingly need more budgets to develop the company business. Thus, it is very likely that the company will retain the profits that will be distributed to investors and use these profits to develop the business. Most investors who prefer to get cash dividends will not be fascinated in investing for expanded company. Finally, market value of the company cannot be maximized. In addition, because the company is still growing, the real growth rate is still unclear, although it is still predictable. Companies wants to grow continuously and make new investments to encourage more profit (Antoro et al., 2020). Therefore, the investors prefer to look at the ROA or a financial performance of the company as a measure for investment. This is in line with (Antoro et al., 2020) research that found if company growth have no impact on firm value. Traders and investors only observe the company's profitability and not considered to the company growth.

### **Company's Financial Performance Influence on Market Value of the Company**

A well firm's financial performance will increase the company's market value of textile and garment companies. The rate of return on assets (ROA) has an impact on the PBV. A high ROA will cause PBV to be higher. These results are in line with (Rahayu, 2019), which proves that there are significant positive impact of firm's financial performance on the market value of the company. Investors believe company's prospect will be more promising if the firm's financial performance is high. A high financial performance also attracting more investors and continue bring the company's stock price higher. This is in accordance with Fernández-Gómez, Gil-Corral, & Galán-Valdivieso (2016) study which found if the trend to have high market value can be realize with a good reputation. Many investors are interested in buying company shares whose performance is considered satisfactory. The stock price will be higher when the more investors are fascinated in the stocks. On the other hand, companies that have poor financial performance will have lower stock prices. Research by Asiri and Hameed (2014) and Adi et al. (2013) also confirms if there are significant positive impact of financial performance on the market value of the company. When company achieved their company's financial performance goal, it will create a positive effect on company's market value (Faisal et al., 2021). Investor will valued firms with good financial performance highly (Deswanto, Siregar, Deswanto, & Siregar, 2018).

### **Macroeconomics Influence on Company's Market Value**

Macroeconomic did not affect company's market value. There is no impact of interest rates on the PBV. This is in line with some research which found that interest rate has no effect on stock prices (Arbaningrum & Muslihat, 2021; Hutahaean & Bu'ulolo, 2020; Rusdiyanto, Hidayat, Soetedjo, Tjaraka, Septiarini, Gazali, & Rahayu, 2020). Investor prefers to pay attention to other factors such as ROA in predicting company's market value. In addition, investor does not pay attention to interest rates and still choose to buy shares instead of other investments such as deposits. Because the benefits of investing in the capital market are more attractive and do not require a long time (Hutahaean & Bu'ulolo, 2020).

### **Macroeconomics Can't Moderates Company Growth and Company's Market Value**

There is no effect of the growth of the company to company's market value of textile and garment companies. The increase in sales has no effect on the stock price to company's book value ratio (PBV). However, after presenting macroeconomic factors, that as interest rates, it turns out that interest rates still cannot strengthen the effect of increased sales on the PBV. Therefore, it can be inferred that macroeconomics unable to strengthen the influence of a company's growth on its market value. Thus, interest rate can be referred as potential moderation. It because macroeconomic in this study only measured by interest rates. Another macroeconomics factors must be considered such as: inflation, non-performing loans (NPL), Rupiah exchange rate against USD, capital adequacy ratio (CAR), gross domestic product (GDP), and loan to deposit ratio (LDR).

In addition, Bank Indonesia interest rate for the last six years tends to fluctuate. Fluctuating interest rates make it difficult both for companies and investors. Companies find it difficult to predict loans for expanding their business. While investor also get a difficulty to predict the return on investment. BI interest rate from 2015-2022 are presented in Table 8.

**Table 8. Bank Indonesia Interest Rate (end of years)**

2015	2016	2017	2018	2019	2020
7.50	4.75	4.25	6.00	5.00	3.75

Source: BPS (2022)

Fluctuating interest rates make it difficult for companies and investor to predict their profits. So investors choose to not to buy stocks and invest in other forms of investment that have lower risk (Rachmawati, 2019) and certain level of profit such as savings, gold investments, deposits, or real estate. Meanwhile, the company will choose to reduce their loans (Chow, Muhammad, Bany-Arifin, & Cheng, 2018) and focus on maximizing their production instead of expanding their business. So that interest rates cannot strengthen or weaken the impact of increased sales on the ratio of stock prices to the company's book value (PBV).

According to above description, the conclusion of this research is still not able to overcome the research gap from Faisal et al. (2021) research which said that company's growth has an insignificant negative effect on a company's value with Rahayu (2019) research which discover that the growth of the company has an important impact on market value of the company.

#### **Macroeconomics Moderates Company Financial Performance and Market Value of the Company**

When analyzed individually, there is a positive and significant impact of firm's financial performance on the market value of the company. Initially ROA had a significant impact on the PBV. However, after presenting the macroeconomic factor (interest rates) it turns out that interest rates weaken the effect of ROA on PBV. It means that macroeconomics moderates the influence of firm's financial performance on the textile and garment market value of the company. It can be inferred that interest rate is a quasi-mediator.

Interest rates moderate the effect of return on assets on PBV. Interest change up and down will be followed by an increase and decrease in interest on savings and time deposits at banks. Thus, ROA also increase and decrease. Then the company's profits will go up and down. When the company's profits rise, investors will buy more shares so the firm value rises. Conversely, investors will try to divert their investment funds to the other form of investment such as gold investment, savings, or deposits if the company's profits decline. Thus the market value of the company will decrease.

According to the results above, it could be concluded that this study was able to overcome the research gap Rahayu (2019), which said if there is a positive and significant impact of firm's financial performance on the market value of the company and Syafii et al. (2020) research which found that company's financial performance has no impact on market value of the company. In addition, this research is also in line with Michael (2019) research which says that macroeconomics is proven to moderate the influence of firm's financial performance and market value of the company.

#### **Simultaneous Effect**

The increase in sales, return on assets, and interest rates simultaneously (together) can affect the stock price to the book value ratio (PBV). Investor needs to consider these three factors when they will invest in a company. In addition, companies also need to pay attention to these three factors to maintain the company's market value remains elevated.

## CONCLUSION

The company's growth has no impact on the market value of textile and garment companies. The finding is indicated that an increase in sales has no effect on the stock prices to the book value ratio (PBV). Therefore, a company's growth proxied by an increase in sales does not guarantee that company's market value proxied by PBV will be high. As well as after presenting macroeconomic factors, such as interest rates, it turns out that macroeconomics still cannot strengthen the impact of a company's growth on the market value of the company. Therefore, the conclusion is macroeconomics cannot be a moderator for the influence of company's growth on the company's market value.

There is a significant positive effect of financial performance of the company on the market value of the textile and garment companies. This is indicated by ROA which has an impact on PBV. Therefore, when ROA is higher, it will increase the PBV ratio. However, after presenting interest rates as macroeconomic factors, it turns out that macroeconomics weakened the influence of a firm's financial performance on the market value of the company. So, it can be concluded that macroeconomics can be a moderator for the relationship of financial performance of the company on its market value. Thus, this research has provided a solution for the existing gap research.

This research is still limited to the go-public textile and garment industry. In addition, the research period is still limited from 2015 to 2020. Therefore, for future study, the researcher suggests expanding the data research. For example, all enterprises in the various industrial sectors which is registered on the Indonesia Stock Exchange, or extend the analysis period, for example, in the last ten years. Researchers can compare the company's market value before and after the Covid-19 pandemic. Future study also can add macroeconomics factors such as Rupiah exchange rate against USD, inflation, non-performing loans (NPL), gross domestic product (GDP), capital adequacy ratio (CAR), and loan to deposit ratio (LDR).

This research confirm the system theory about internal and external company factors are interrelated and interact in a process resulting a certain goal, it is proven that the interest rate weakens the influence of company financial performance and company market value of manufacturing companies in the garment and textile sector in Indonesia. However, the influence of the mediator does not apply to company growth and company market value.

Practical contribution based on the various significant supports above, there are several ways for companies to increase the company's market value: (1) Increasing market value of the company through the firm's financial performance. Company can increase the return on assets ratio (ROA). When ROA is higher, the investor will see that the company has better performance. So more and more investor are interested to investing in textile and garment company's. (2) Increasing the market value of the company through the firm's financial performance with macroeconomics as moderator. Macroeconomics played a significant role in firm's policies and short-term decisions. Therefore, the investor must pay attention to overall macroeconomic conditions before investing.

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