Business and Management Studies

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Vol 3, No 1 (2017)

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Moderation Effect of Exchange Rate to Signaling Theory Validity in Indonesia Stock Exchange

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Abstract

Asymmetric information occurs between management and stakeholders and it is especially important for investors to push the company to provide a credible signal, which will differentiate it from other companies that are not performing well. In a previous study that examined the relationship between the variables of capital structure, the company's growth and profitability of the enterprise value, it has been concluded that these three variables have a positive relationship and are credible signals related to the value of any company's future. The conclusions of many similar studies support and are consistent with the signaling theory. It is hypothesised that macroeconomic conditions in which the company operates would moderate the relationship that already exists, so that capital structure, asset growth and profitability are no longer considered by investors as a credible signal on the value of the company's future.

The purpose of this study was to determine the effect of the exchange rate as a moderating variable on the validity of signaling theory in the Indonesia Stock Exchange.

The research was designed as a descriptive study and verification by using secondary data. The research was carried out on non-financial industry issuers listed on the Indonesia Stock Exchange (BEI) covering observation period from 2009 to 2013 year. The members of the sample have been selected using stratified random sampling. Data were analyzed using panel data regression.

Based on the analysis of regression panel data, we concluded that the exchange rate variable proved to have a quasi moderating influence on the pre-existing relationship between the variables of capital structure, the company's growth and profitability of the enterprise value. The moderating effects of exchange rate variable causes in particular the variables capital structure and profitability to be no longer a credible signal to the value of the company's future.

Keywords: profitability, company's growth, capital structure, value of the firm and moderating variables, credible signal

1. Introduction

The main objective of the company is to maximize wealth or shareholders' value. Maximizing shareholders' value is very important for a company, because to maximize value also means maximizing shareholder wealth.

Theoretically the value of the company is an investor perception of the company's performance, which is often associated with the stock price where the price is the value agreed upon by the buyer and the seller when transaction occurs. This happens because the stock price is perceived by investors as the fair value of the net assets of the company on the transaction date. High stock prices make the company's value also high. According to the perception of the market the value of the company is the price potential buyers are willing to pay when the company is sold.

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Lenders as one of the stakeholders perceive the company's enterprise value as the company's ability to pay all of its obligations on loans that have been granted in the form of interest and principal at maturity. As for the government the enterprise value is the company's ability to generate revenue, income and the ability to pay its entire tax obligations to the state treasury. The management and employees reflect the enterprise value as the company's ability to pay bonuses, incentives and salaries.

Associated with the value of the company are some interested parties, namely, the government as a regulator which has

a stake holder's interests in terms of tax revenue, in particular value added tax and income tax. The management and the employees of the company as stakeholders' are also concerned with bonuses, incentives and salaries they receive.

Investors are interested in the variables that determine stock price that can reflect if the stock price is going up or going down in the future. Changes in stock prices in the short term are due to allegedly more external variables in particular macro-economic indicators, such as the SBI (Indonesian Bank Certificate) interest rate, exchange rate fluctuations, oil prices and the trade balance deficit. Internal variables such as profitability, capital structure and growth of the company are reflected in the annual financial statements or quarterly company reports issued in Indonesian Stock Exchange, which presumably do not affect the price changes daily on the exchange, but influence the price a couple of days before or after the issuance of the financial statements to the public , both interim reports and annual reports.

In the process of determining the fair market value of a company, potential investors will identify variables through technical and fundamental analysis of the financial statements of public companies, which allegedly can give a credible signal about the value of the company.

One of the hypothesized internal variables that affect the value of the company is the potential of the company to generate profits / its profitability. Profitability is hypothesised to have a positive influence on the value of the company. For-profit companies will send positive sign, prompting investors to buy more shares of the company resulting in a rise in the market price of the company's stock.

Other internal variables hypothesized to have a positive effect on firm value are the variable company growth and the company's capital structure. Both internal variables have also been hypothesized to affect positively the value of the company. The increase in these two variables will give a positive signal that will boost the company's value.

Several previous studies that try to explain the influence of fundamental variables on the value of the company, came to the conclusion that these three variables have a positive effect on firm value (Sudarmadji and Sularto, 2007). Thus it can be interpreted that these three variables give a credible signal about the value of the company. Research studies conducted at the stock exchange are different, they include different populations, observation periods, different theories and macro-economic conditions, thus they can provide different conclusion. These conditions imply that the use of the results of previous studies as the basis for the formation of hypotheses in a study may be invalid, especially if these differences in particular, are caused by differences in macroeconomic conditions.

The relationship of macroeconomic indicators with JCI (Jakarta Composite Index), theoretically could correlate positively or negatively. Stable macroeconomic conditions would tend to push JCI and vice versa. Research conducted by Purnamawati and Werastuti (2013), deals with the influence of macro-economic indicators on LQ45 stock price, and concludes that the variable rate of inflation can significantly influence stock prices in the short term LQ45. Macroeconomic variables such as economic growth, the value of the US dollar (US) against the Indonesian Rupiah and the interest rate of Bank Indonesia, show insignificant effect as variables.

Formation theory assumes macroeconomic conditions ceteris paribus, have implications when there is a relatively large change in one of the macro-economic indicators, then those changes could affect the validity of the theory in explaining the empirical phenomena in the field.

Assuming macroeconomic indicators as independent variables or moderating variables in a model study, should be based on how the variables are hypothesized to affect the dependent variable. When a variable is hypothesized to affect directly or cause changes on the dependent variable, then the variable is called independent variable. Conversely, if a variable is hypothesised to influence only in the direction to strengthen or weaken the initial relationship that has existed between the independent and the dependent variable, by interacting with the independent variable, it is called a moderating variable.

Indonesian trend of macro-economic indicators for the year 2009 until 2013 exhibits the following development:

Figure 1. Description Trends of Macro Economic Indicators

Figure 1 shows that over the period 2009 to 2013 the interest rate of national private banks decreased, from 15.51% in 2009 to 11.88% in 2012, and increased again to 12.51% in 2013. GDP growth of 4.8% in 2009 pushed up to 6.61% in 2011. However, for the past two years, the Gross Domestic Product has decreased to 6.26% in 2012 and in 2013 it fell again to 5.79%. Changes to the IDR against the US dollar during the observation period is also a portrait of fluctuation, which in 2010 IDR strengthened compared to the previous period, and in 2011 through 2013 IDR depreciated where the IDR dropped from IDR9.100/US in 2011 to IDR9.670/US in 2012 and eventually reached IDR12.189/US in 2013.

The trend of IDR depreciation-against the US dollar from 2011 until 2013 may explain why during the same period the growth of the company-assets and profitability of listed companies in the non-financial sector industries declined significantly. Depreciation increases the cost of production, and at the same time reduce export sales effort. For companies that receive loans in foreign currency it entail increased losses due to the difference in the exchange rate.

Figure 2 below present the situation in the Indonesian Stock Exchange for the period 2009-2013, by using stock market prices as a proxy value of listed companies, based on the results of preliminary research on the relationship among profitability, growth and capital structure and companies' value, as follows:
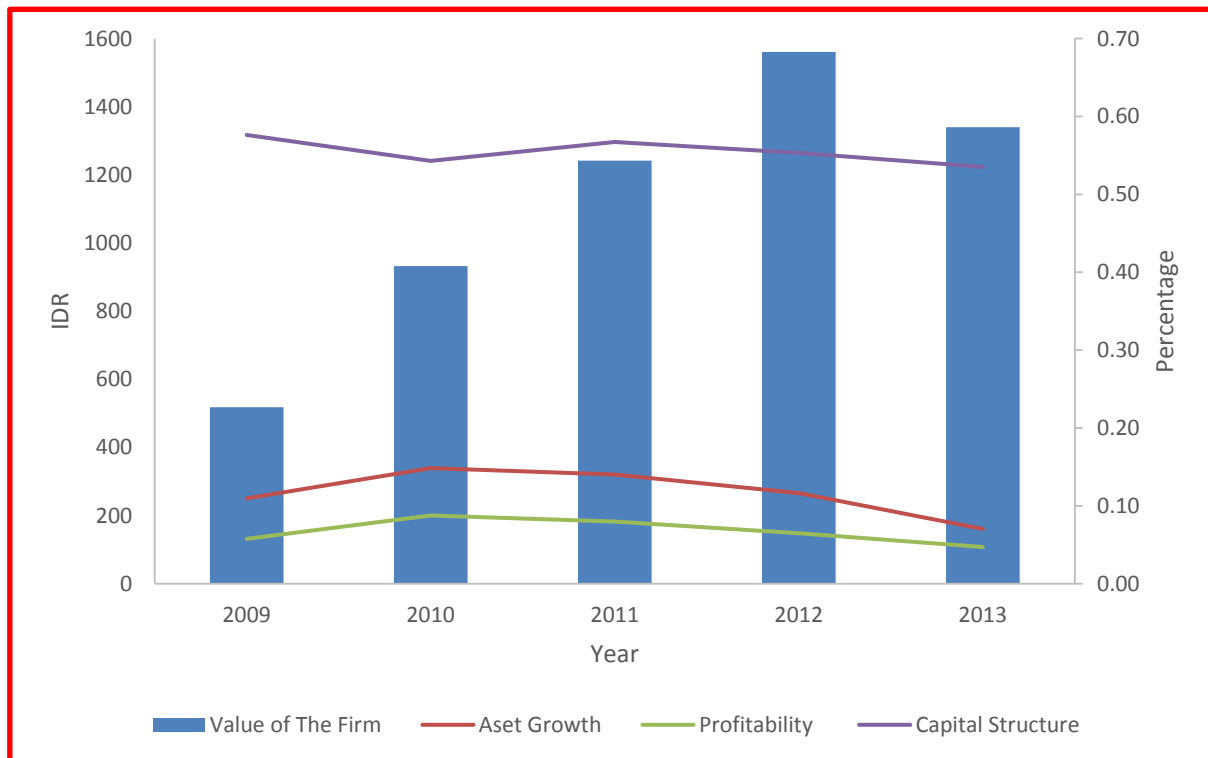
Figure 2. Descriptions Trend Profitability, Asset Growth, Capital Structure & Value of the Firm Year 2009–2013

From Figure 2 above it can be seen the variable value of the company proxied by stock market prices from 2010 to 2012 grew at a fairly high growth rate on average by 48.25% and in 2013 this relatively large value of listed companies fell by -14% from the previous year. The variables company' growth and profitability in the same period of 2010 to 2012 haves decreased and in 2013 this decline continued and it was relatively larger. The variable capital structure was decreas in after 2009 by 5.8% until the year 2013, when it has increased with a relatively small rate of 3.43%. The improved capital structure is relatively small from 2010 to 2013 allegedly due to the increase in current liabilities for working capital purposes. The conditions from the perspectives of signaling theory are considered to be anomalies, especially in the variables company growth and profitability for the period 2010 to 2012, where the two variables have decreased but the variable company value have increased. The same thing happened to the variable capital structure where in the same period it increased relatively small, but the variable company value, has showed relatively large increase.

The influence of the variable company value is interesting to be further studied in order to obtain answers to a phenomenon that occurs. The present study is expected to answer the question whether the exchange rate variable behaves as a moderating variable in validating the signaling theory.

2. Literature Review and Hypotheses

2.1 The Value of the Firm (VOF)

The theoretical value of companies is investor perception of the value of the company, which is often associated with stock prices (Bringham and Gapenski, 1996). Increasing the value of the company is the purpose of a company since the high value of the company will bring high prosperity to shareholders (Salvatore, 2005). The higher the stock price the higher the value of the company. High corporate value is desired by the owners of the company, because high value indicates prosperity to shareholders as well. The market price of the shares, is a reflection of the results of investment decisions, financing, and management of business operations, conducted by the management in the current year. The market price of the stock is formed between buyers and sellers when transactions occur and is perceived as a reflection of the true value of the company's assets.

In the process of determining the value of a company, potential investors will identify the fundamental financial variables of companies, which allegedly can reflect the value of the company. These variables for investors are seen as a meaningful signal which is positively or negatively related to the value of the company.

Akerlof (1970) was the first to explain the uneven distribution of information among parties when exchanging an item.

Unbalanced information situation is a condition where one or more persons have superior relevant-information than others, when performing an exchange. Judging from the aspects of financial management, information that is not balanced is a condition that indicates the existence of groups with information and others that do not have the information. Asimmetry information can lead to a loss but could also lead to a benefit for the parties involved in a transaction. The presence of information asimmetry has encouraged the emergence of signaling theory.

The concept of signaling theory was originally studied in the context of work and product markets by Akerlof and Arrow and subsequently developed into a signal equilibrium theory by Spence (1973), according to whom a good company can differentiate itself from a bad company by sending a signal that is credible about the quality of the capital markets.

A signal is considered as credible only if bad firms cannot attempt to imitate signal of good firms by sending the same signal. When the cost of signaling for bad firms are higher than the one of good firms, bad firms may think it is pointless to imitate it and stop imitating so then signal is said as credible, reliable, and trustworthy.

A signal will be credible only if the enterprise category of bad (bad firms) cannot replicate company categorized good (Good Firms) by sending the same signals or charges to replicate the signals are higher for companies categorized as bad, so felt no benefit to imitate, these signals. As an example of a company with a high degree of leverage that is used to develop projects of new investment, is a signal that credible that cannot be imitated by companies that category of bad or to send the same signal will be required relatively high costs that companies category of bad feeling no benefits to emulate.

Signaling theory, explains the perception of foreign investors about the company's prospects as a result of corporate action (Ross, 1977). Research results of Mc Connel and Muscarella (1984) found that the increase in capital expenditure impact on stocks. Along with McConnell and Muscarella (1984), in a research of Trueman (1986) it was stated that the increase in capital expenditures will be followed by a significant increase in stock price. It is based on the assumption that the management, in order to achieve the company's goal to maximize share price, would undertake an investment that has a positive net present value. The increase in capital expenditure is assumed by, investors as a positive signal and the opposite is true the decline of capital expenditure, will be captured by investors as a negative signal.

Ross (1977) shows how debt can be used as a signal to separate good companies from bad ones. Under conditions of asymmetric information between management and investors, the managers know the actual distribution of profits, but investors do not, then the company's ability to get funding source will give a positive signal about the company's future. The signal higher debt shows an optimistic future and high-quality companies will use more debt while low-quality companies have lower debt levels.

Moderating variable is a variable that has contingent effect on the association of the independent variables with the dependent variable, and thus the presence of moderating variables alter the initial relationship between both independent and dependent variable (Sekaran, 2003). The contingent effect due to the moderating variable will influence significantly the ability of the independent variables to affect the dependent variable.

The decision to use an independent variable as a moderating one depend on how that variable affects the dependent variable in the model. A variable will be an independent variable if it directly affects or causes changes in the dependent variable. While moderating variables are variables that influence the initial strength or weakness of the relationship that has existed between the independent and the dependent variables.

In an enterprise value model, the variable firm size, profitability and capital structure are independent variables, because, all these variables directly affect or cause change in the variable value of the company. While the macro-economic indicators such as the exchange rate as a concept are hypothesized as moderating variables that affect the variable company value by way of interacting with the independent variables, so that interaction strengthens or weakens a previously existing relationship between the independent variables with the dependent variable.

2.2 The Company's Growth (AG).

The company's growth is a concept that can be perceived as a measure of sales achieved by the company in a year or as a measure of total assets used in operations. Companies with total assets of relatively large size and used entirely for the company's operations, will portray enormous potential to generate profits. The management of companies with significant amount of total assets have greater flexibility in making decisions, both in the scope of operating, investing and financing activities. Such ompanies have high economic flexibility in utilizing every opportunity to enhance shareholder value. Companies with large value of total assets when managed optimally will give a positive signal about the company. Large amount of total assets would allow companies to maximize the turn-over of their business, undertake investments with a high rate of return as well as attract capital resources at the most optimal cost.

Research conducted by Dewi and Wirajaya (2013) related to the effect of capital structure, profitability, and growth on

the value of the company, concluded that the company's growth variables have positive and significant impact on the value of the company. The conclusion is in line with signaling theory, where increasing the company's growth will be perceived as a positive signal about its business prospects, prompting investors to increase their holdings in company shares.

2.3 Capital Structure (CS)

Policies regarding the capital structure of a company under conditions of very steeper competition haves turned into one of the strategic policies with long-term implications for future business success. The capital structure of company is a portrait of the balance between its long-term debt and share capital. Companies with an optimal capital structure, would minimize the cost of use of funds (cost of funds or cost of capital) and would ultimately increase shareholder value. Policies regarding capital structure basically determine the mix or the comparison between the long-term debt and the most optimal capital stock, so as to maximize shareholder value.

Pecking order theory (Myers, 1984) gives a preposition instead that the management in making funding decisions are not thinking down into the framework of trade-offs, funding decisions with the first priority is by utilizing internal funds, the next priority is by using loans and issuance of new shares is the last priority because their priority requires relatively large issuance costs.

Research conducted by Soliha and Taswan (2002) related to the effect of debt policy one the value of the company, concluded that debt policy has a positive and significant relationship to the value of the company. The conclusion is in line with the signaling theory, because the ability of the company to attract funding sources will give a positive signal about company's future. The signal higher debt shows an optimistic future and high-quality companies will use more debt while low-quality companies have lower debt levels.

2.4 Profitability (PR)

Profitability is a picture of a company's ability to earn a profit in a given period. The same sense was conveyed in a research by Husnan (2014) who concluded that the profitability is the ability of a company to generate profits at the rate of sales, assets, and a specific share capital. The profitability of a company will affect the investment policy carried out within the company. Higher profitability than expected is a positive signal to investors with regard to the future business prospects of the company, which encourages them to buy shares of the company and vice versa. The company's level of profitability achieved is used as a measure of performance management. Profitability can also portray the effectiveness of enterprise resource management during a given period. Companies with high profitability are expected to grow their assets, which in turn results in rising value of the company.

Research conducted by Dewi and Wirajaya (2013) related to effect of capital structure, profitability, and the size of the company on the company value, concluded that the profitability variable has a positive and significant impact on the value of the company. The conclusion is in line with the signaling theory, where increasing profitability is perceived as a positive signal, prompting investors to increase their holdings in company shares.

2.5 The IDR Exchange Rate (ER)

Studies dealings with the influence of macroeconomic indicators on the Jakarta Composite Index (JCI) at the Indonesian Stock Exchange (BEI) haves been performed by many researchers, including Rohmanda, Suhadak and Topowijono (2014), which examined the effect of exchange rates, inflation rates and the interest rate on the sectoral indices on the stock exchange from 2009 until 2013. Their results showed that only the exchange rate have a significant effect on stock prices of each sectoral indices on the stock exchange. Inflation does not significantly influence the price of shares of each sectoral indices on the stock exchange while the BI (Bank of Indonesia) rate has only a significant effect on the share price of six sectoral indices on the stock exchange. Another study on the same topic conducted by Kewal (2012), which examined the effect of inflation, interest rates, the rate of economic growth (GDP) on changes in the value of the rupiah against the US Dollar against the Jakarta Composite Index in the Indonesia Stock Exchange, concluded that only change in the value of the exchange rate has a significant influence on JCI, while the other variables had no significant effect.

Consequently macroeconomic indicators allegedly do not affect JCI directly as independent variables, but moderate the relationship that has existed between the variables firm size, capital structure and profitability and the variable JCI, so that this moderation could be expected to strengthen or weaken the initial interaction between the independent variables with the dependent variable. Moderating variable is a variable that has a contingent of dependence and alters the initial relationship between the independent and dependent variables (Sekaran, 2003).

Based on the description of the theory and previous research, this study hypothesized as follows:

H1 : The rupiah exchange rate against the US dollar tends to weaken the relationship between the value of the

company's capital structure.

H2   :   The rupiah exchange rate against the US dollar tends to strengthen the relationships between firm size and firm value.

H3   :   The rupiah exchange rate against the US dollar tends to weaken the relationship between profitability and corporate value.

3. Research Method

The study was designed as a descriptive research and verification through a qualitative and quantitative approach using secondary data. The research objective was to determine the moderating effect of the rupiah against the US dollar in validating the signaling theory.

The population in this study is the aforementioned non-financial industry listed in Indonesia Stock Exchange (BEI) from 2009 to 2013. The total population in the Indonesia Stock Exchange listed as many as 492 companies, which are grouped into 9 industry groups. The number of companies that belong to the financial industry are as many as 81, so that the population for this study conducted on eight industry contained a total of as many as 411 companies.

The members of the sample are selected based on probability sampling by using stratified random sampling method, from a total population of 411 companies with a significance level of 5%, and the sample size consists of approximately 191 companies. Of these 191 companies only 100 companies have complete information for the purpose of this study.

This study uses secondary data and is based on data obtained from the annual financial statements of listed companies in the industry at the Indonesia Stock Exchange (IDX) ranging from 2009 to 2013.

3.1 Operational Definition and Measurement

Operationalization of the variables of this study are shown in the following table:

Table 1. Operationalization of Research Variables

Variables	Definitions of Variables	Indicators	Scale
Value Of The Firm (VOF)	The selling price of the company's shares at the end of the year	Year-end closing price	Ratio
Asset Growth (AG	The change in total assets of the company in the current period	(Total Asset$_{t+1}$-Total Asset$_t$) : Total Asset$_t$	Ratio
Capital Structure (CS)	Ratio of total liabilities to total assets of the company	Total Liability : Total Asset	Ratio
Profitability (PR)	The company's ability to obtain a net profit at the level of the total assets used in the current year.	Net Income : Total Asset	Ratio
Echange Rate (ER)	The number of domestic money needed to buy one unit of a particular foreign currency	Total IDR Rupiah per 1 US Dollar	Ratio

3.2 Research Model

In this study the hypothesized variable which is used as moderating variable is the exchange rate. The moderating variable will interact with the variable growth, capital structure and profitability. Based on this hypothesis, the research model that will be tested in this study are:

$$VOF_{it} = \alpha_{it} + \beta_1 CS_{it} + \beta_2 AG_{it} + \beta_3 PR_{it} + \beta_4 ER_{it} + \beta_5 (CS*ER)_{it} + \beta_6 (AG*ER)_{it} + \beta_7 (PR*ER)_{it} + \varepsilon_{it}$$

Information:

        α_{it} =   Intrecept

        β_{1-7} =   Slope Coefficient

        VOF   =   Value of The Firm

        CS   =   Capital Structure

AG   =   Asset Growth

PR   =   Profitability

ER   =   Exchange Rate Rupiah to US Dollar.

CS*ER   =   Interaction variable between Capital Structure with Exchange Rate

AG*ER   =   Interaction variable between Asset Growth with Exchange Rate

PR*ER   =   Interaction variable between Profitability with Exchange Rate

i   =   Cross Section (1,2,3...,n)

t   =   Time Series (2009 – 2013)

ε   =   Error

4. Results and Discussion

Descriptive statistics of the variables built into the econometric model with the research sample consisting of 100 listed non-financial industries for the observation period from 2009 through 2013 is illustrated in the following table:

Table 2. Descriptive Statistics of Research Variables

	Value Of The Firm (VOF)	Capital Structure (CS)	Asset Growth (AG)	Profitability (PR)
Mean	232.0115	0.487369	0.097992	0.055688
Median	160.0000	0.517873	0.092804	0.049331
Maximum	990.0000	0.942681	0.898728	0.507910
Minimum	1.000000	0.003868	-0.660293	-0.633011
Std. Dev.	246.6978	0.188922	0.170000	0.084969
Skewness	1.105123	-0.392982	0.193120	-0.636910
Kurtosis	3.463644	2.665140	5.409905	13.69411
Jarque-Bera	106.0406	15.17523	123.8523	2411.553
Probability	0.000000	0.000507	0.000000	0.000000
Sum	115773.7	243.1969	48.89808	27.78811
Sum Sq. Dev.	30308172	17.77435	14.39227	3.595448
Observations	499	499	499	499
Cross sections	100	100	100	100

Source: own calculations of the author

The variable value of the company proxied by earnings per share (EPS), has an average value of 232.0115 with a standard deviation of 246.6978. The highest company value was 990 and the lowest stood at 1.000.

The variable capital structure proxied by debt to asset ratio (DAR), has an average value of 0.487% with a standard deviation of 0.18%. Capital structure highest and lowest values are 0.9426% and 0.003%, respectively.

The variable company growth proxied by the percentage growth in assets, has an average value of 0.097 with a standard deviation of 0.17. The highest value of the company's growth is 0.89 and the lowest was -0.66.

The variable profitability has an average value of 0.055 with a standard deviation of 0.084. The highest profitability value is 0.55 and the lowest value is -0.63.

The results of model testing company value by moderating variables obtained as shown in panel 2 of the table (Table 3) shows that the model is feasible with the F-test significant at the 1% level. The value of adjusted R^2 or determination coefficient of 97.69% shows that the three independent variables can explain the variations in the value of the company by 97.69% and other variables of 2.3%. The coefficient of determination can be explained that the contribution of the company's fundamentals have a relatively large effect in influencing the variation of the value of the company, while the rest influenced by other variables that are not specifically formulated for external variables in the research model.

The estimation results complete research model is shown in the following table:

Table 3. The Result of Value of the Firm Model

Variables	Panel 1 Whitout The Moderating Variable		Panel 2 Whit The Moderating Variable	
	Coefficient	Probability	Coefficient	Probability
Constant	207.0780	0.0000	511.2844	0.0000
Capital Structure (CS)	52.76056	0.0001	-340.0637	0.0000
Asset Growth (AG)	9.292490	0.0465	1164.195	0.0022
Profitability (PR)	96.89283	0.0000	-1976.571	0.0000
Exchange Rate (ER)			-0.033849	0.0001
CS x ER			0.044871	0.0000
AG x ER			-0.123290	0.0021
PR x ER			0.219688	0.0000
F –statistic	837.3229		117.2405	
Probability (F-statistic)	0.000000		0.000000	
Adjusted R-squared	0.995344		0.976966	
R-squared	0.996535		0.968633	

The constants of the model enterprise value have a value of 511 284, the maximum value of the value of the company amounted to 990.00. This means that 51.64% of the predicted value of the company is based on that model because the variables in the short-term effect on the company's value is constant. It also means that the influence of the independent variables and the error of the predicted value of the company amounted to only 48.4%. A constant value is then compared to a constant value of the results of testing models of the company's value without the moderating variable at 207.0780 (20.95%), and it showed that the moderating macroeconomic indicator proved to weaken the existing relationships between the variables of capital structure, the company's growth and profitability with a variable value of the company.

Partially the variable capital structure without moderating variables showed a significant and positive direction, with the moderating variable showed a negative and significant relationship at an alpha level of 20%, and moderating variable significant at alpha 5%. This shows that the partial moderating variable proved to moderate the relationship that has existed between the value of the company's capital structure to become weaker or even negative. In the perspective of signaling theory, capital structure that previously provided a credible signal to the value of the company now can be assumed no to be credible.

The variable company growth without moderating variable, showed significant and positive direction. With the moderating variable showed positive and significant at the alpha level of 5%, and also moderating variable significant at alpha 5%. This shows that the moderating variable proved to moderate the relationship that has existed between the company's growth with the value of the company and it becomes stronger. It can be seen that company growth without moderating variable stood at 9.29, while with moderating variable increased to 1164.19. In the perspective of signaling theory, previous research that capital growth provides a credible signal to the value of the company has been proved to be more credible.

Without the moderating variable, the variable profitability showed a significant and positive value. While the presence of moderating variable influences the relationship negatively and significantly, and the moderating variable is also significant. This shows that the partial moderating variable proved to moderate the relationship that has existed between profitability and value of the company now becomes weaker or even negative. In the perspective of profitability before signaling theory give a credible signal to the value of the company now has been proven no to be credible.

From the above research findings, if viewed at the micro level, we can estimate that the level of exposure on changes in the exchange rate will bring a different effect for all companies. Companies in the mining industry and agriculture are partly the result of its production is exported will be affected differently than with companies in other industries that are selling their products in the country. The same thing will happen in the infrastructure industry or a variety of industries, with funding in the form of foreign currency, will be affected differently than the industry of funding by using their own capital or loans in the country. At the macro level, exposure on changes in exchange rates will directly impact on product competitiveness, both for export or for sale within the country.

5. Conclusion

Based on the hypothesis, the variables capital structure, company's growth and profitability have a positive relationship to the value of the company. The variable exchange rate as one of the macroeconomic indicators that serve as a moderating variable proved to moderate the relationship between these three variables, where the variables capital structure and profitability previously are having a positive relationship with the value of the company, not turn into a

negative or weaked relationship, while the variable company's growth is the opposite where a moderating variable strengthens ties which have been in existence. The findings of this study prove that the presence of macro-economic indicators weaken the validity of signaling theory, where variables capital structure and profitability were previously a credible signal increasing the value of companies in the future, now prove to have opposite influence on the company value.

For their next study, especially in the areas of finance, the phenomenon of macro-economic indicators as moderating variable can be used to test the validity of the Capital Asset Pricing Model Theory or Market Microstructure Theory.

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