Analysis of Non-Financial Determinants of Company Value In Manufacturing Companies in Indonesia

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Abstract: This study aims to investigate the nonfinancial determinants of Firm Value of manufacturing firms listed in the Indonesia Stock Exchange year 2013 up to 2017 period. The determinants represented by Good Corporate Governance (GCG), Firm Size, Dividend, Inflation Rate, Exchange Rate and Corporate Social Responsibility (CSR). The sampling method used purposive sampling and the analysis used Eviews 9.0 version. The study result shows that only one variable significantly affects Firm Value which is Institutional Ownership as proxied of GCG and the rest variables that are Independent Board another proxied of GCG, Firm Size, Dividend, Inflation Rate, Exchange Rate, and CSR does not significantly affect the Firm Value. All independent variables significantly affect Firm Value weakly simultaneously. This study implies that in formulating firm improvement performance strategy, a manufacturing firm is suggested to consider nonfinancial determinants of firm value that is Good Corporate Governance (GCG), Firm Size, Dividend, Inflation Rate, Exchange Rate and Corporate Social Responsibility (CSR).

Keywords: Nonfinancial Determinants, Firm Value.

INTRODUCTION

Management strives to maximize Company Value (CV) which is a measure of the success of its performance (Santos and Brito, 2012). In addition to management, the parties interested in the company include the owner of the company in which the CV describes the level of welfare to be achieved, investors can obtain information about the rate of return on investment funds, creditors obtain guaranteed loan repayment provided. The Directorate General of taxes as a governmental agency can calculate taxation obligations. Hence, CV is important for the life of the economy so the study of Company Value becomes important.

This study examines determinants of company value beyond finance which the result of previous studies vary by including Good Corporate Governance, Corporate Social Responsibility, and Firm Size Dividend variables (Hsin Lu et al., 2010) Inflation and Exchange Rates (Karakus and Bozkurt), 2017) with the title Non-Financial Determinant Analysis of Company Value, Case Study of Manufacturing Companies Listed on the Indonesia Stock Exchange in 2013-2017.
THEORETICAL REVIEW

Agency Theory. Agency theory is an old theory that deals with problems with agents and how to solve them where agency problems arise due to differences in interests between agent and principal. Meanwhile, the appointment of an agent is with a mission that makes the principal more prosperous in the form of high performance (Brigham and Houston, 2012), one of which appears in Corporate Value.

Stakeholder Theory. Dr. F. Edward Freeman, the originator of stakeholder theory, defines this theory as Stakeholder Theory is "any group or individual who can affect or is affected by the achievement of the organization objectives" consisting of: customers, employees, local communities, suppliers and distributors and owners company, such as all parties with an interest in the company. Management in running a company to maximize Company Value must consider these stakeholders.

The value of the company. (Brigham and Houston, 2012) stated that the company's value is determined by market perceptions of the sustainability of the company's performance as shown in the market price of the shares outstanding on a certain date that can be measured, among others, by Tobin's Q, Market Value Added (MVA), Market to Book Value (MTBV) and the most chosen market value measure as an indicator is Tobin's Q. formula (Al Matari et al., 2014) which is calculated from the ratio of the total market value of the firm / total asset value of the firm (Hayes, 2019).

Good Corporate Governance. Good Corporate Governance (GCG) is a system that regulates and controls companies in creating value-added for all stakeholders whose implementation is based on the following principles: Transparency, Accountability, Responsibility, Independence and Fairness (Amirudin et al., 2017); (Wan Yusof et al., 2012), (Monks and Minow, 2003). The 5 basic principles must exist in all company systems that are applied to increase added value for all stakeholders. Considering that management is a party that implements the principles of GCG, supervision is a necessity which in practice can be characterized by the presence of an Independent Board (IB) and Institutional Ownership (IO) which in this study are used as a proxy for GCG mechanisms. Studies related to the effect of GCG on CVs results are still mixed. Various studies for OIs were found in (Jamil et al., 2016) with the result of Institutional Investors having a significant positive effect, but Government Ownership had a significant negative effect on company performance. (Azutoru et al., 2017) indicated that with the result of IO and IB has a significant positive effect on the CV. While (Zabri et al., 2016) stated there is no relationship between IB and Company Performance; Studies by (Irma et al., 2015), (Iwan et al., 2016), (Sigit, 2015); (Sigit and Winwin, 2016) revealed that with IB result have a significant positive effect on performance, but significant negative result was found in the study by (Zabri et al., 2016) while result with no effect was found in (Suryanto and Meisa, 2016).

Corporate Social Responsibility. The Australian Human Rights Commission defines “is generally understood to mean that corporations have a degree of responsibility not only for the economic consequences of their activities but also for social and environmental
implications. CSR aims to ensure that the company conducts its business in an ethical manner, in the sense of considering environmental, economic and social impacts and human rights in each of its activities which can be: working with local communities, spending social funds, developing cooperation with trade unions and customer groups as well as concern for environmental protection and sustainability (Chin and Rupp, 2018). One proof that the company has carried out activities related to CSR is the disclosure in company reports commonly known as sustainability reporting. The study by (Wwik, 2015) concluded that there is a relationship between the quality of CSR disclosure and Company Value, therefore the CSR proxy in this study is CSR disclosure in company reports. In theory, (Hamidu et al., 2015) stated that the concepts in CSR enable management to use CSR as a tool to increase profitability while increasing Company Value. Research with the result that CSR has a significant positive effect on Company Value is found in (Amirudin et al., 2017), (Kumar and Priyadarsini, 2017), (Chung et al., 2018), (Choi et al., 2018), but research by (Al Hasan et al., 2013) have a significant negative effect and the opposite results are found (Hafez, 2016). While Selvarajah et al. (2018) stated that only a portion of CSR activities affect Company Value, while (Chen and Hsun, 2017) obtain the result that CSR activities will not increase CV to the transition threshold.

**Company Size.** Company size (CS) is related to the size of a company which in literature is often shown from net sales or total assets, the average value of total assets, the book value of total assets or the value of the company itself. (Dang and Li, 2015) in their theoretical study stated that company size affects the results, the bigger the company, the bigger the results and vice versa, where company size can be measured by total sales, total assets and other sizes, wherein this study, UP is seen from ln total assets. Studies with the result that company size affects performance are found in (Oyelade, 2019), (Luqman et al., 2013), (Dogan, 2013), (Yisau, 2013), but research by (Niresh and Velhampy, 2014) stated that does not affect.

**Dividend.** Dividends are payments of a portion of profits from a company to shareholders, where dividend payments are one of the information awaited by shareholders because investors perceive that dividend payments are an indication of the company's financial health as a representative of the company's value (Rajhans, 2013). Research controversies related to the effect of dividend policy on performance found in research (Ali et al., 2015), (Al Hasan et al., 2013) have a significant positive effect, (Ahmad et al., 2018) significant negative effect, while (Irandoost et al., 2013) the result have a significant effect only in the short term and (Ayako and Walmawa, 2015) with the result do not affect the Firm Value. In this study, the dividend variable is proxied by the amount of the Dividend Pay Out Ratio.

**Inflation Rate (IT).** Inflation is a continuous increase in the prices of goods and services in a certain period, where this inflation affects the economy in general and companies in particular positively and negatively (John and Bernanke, 2005). The negative effect is seen in studies in (Zulfiqar and Ud Din, 2015) where the result is that the level of inflation (IT) has a significant effect on Return on Assets (ROA) but not significantly on Return on Equity (ROE). While (Iféanyi and Chukwuma, 2016) stated that the strong negative
relationship between IT and Company Value (CV), but not significant to ROA, however (Rostami and Mosavi, 2016) produced findings that IT improved and increased company profitability. This variable Inflation is proxied with annual average inflation from the Central Bureau of Statistics (BPS).

**Exchange rate.** The exchange rate (ER) is the price of a country's currency that is converted to another country's currency. Bearing in mind that the currency that dominates the world including Indonesia is the US Dollar, the exchange rate in this study is the exchange rate of the US dollar and the average rupiah obtained from Bloomberg. (Hyo, 2018) explained that the influence of NT on positive or negative company performance depends on its involvement in import-export activities at the macro level, but also influenced by industry and company level analysis. Empirical studies of the effect of ER on CVs have produced mixed findings. (Hyo, 2018) produced a finding that a group of companies that were positively affected by NT appreciation experienced a rise in NP in the short term, but there were a group of companies that were negatively affected due to ER appreciation, apparently experiencing an increase in the CV in the medium and long term. (Lee, 2017) indicated that produces findings that ER appreciation does not cause a decrease in the level of investment, while (Williams, 2018) stated that there is a positive relationship between ER and ROI, while (Nagahisarchoghani et al., 2018) stated there is a weak relationship between ER and prices per book stock/ per market price, however (Okika et al., 2018) makes finding that NT has no significant effect on company profitability.

**Framework for Thinking and Hypothesis.** In theory, the mechanism of Good Corporate Governance (GCG) will have a positive effect on Company Value (CV) because GCG is a system that regulates and controls the company in creating value-added for all stakeholders which implementation is based on the following principles: Transparency, Accountability, Responsibility, Independence and Fairness (Amirudin et al., 2017), (Wan Yusof and Alhaji, 2012), (Monks and Minow, 2003). Considering that management is a party that implements the principles of GCG, supervision is a necessity which in practice can be characterized by the presence of an Independent Board (IB) and Institutional Ownership (IO) which in this study are used as a proxy for GCG mechanisms. Meanwhile studies with the result of Institutional Ownership (IO) have a significant positive effect on Company Value (CV) found in (Jamil et al., 2016) and (Azutoru et al., 2017) and Independent Board (IB) have a significant positive effect found in studies by (Irina et al., 2015), (Iwan et al., 2016), (Sigit, 2015), (Sigit and Winwin, 2016).

Therefore the hypothesis is proposed: H1: Independent Board has a significant positive effect on Company Value and H2: Institutional Ownership has a significant positive effect on Company Value. (Dang and Li, 2015) in their theoretical study stated that Company Size (CS) affects the result, the greater the company the greater the results and vice versa, support for the statement found in studies by (Oleyade, 2019); (Luqman et al., 2013); (Dogan, 2013) and (Yisau, 2013).

Therefore the hypothesis is proposed: H3: Firm size has a significant effect on firm value. Related to the positive influence of dividends on CV, it is theoretically explained that dividends are one of the information awaited by shareholders because investors perceive dividend payments as an indication of the company's financial health as a
representation of the value of the company (Rajhans, 2013) in which is supported studies by (Ali et al., 2015), (Al Hasan et al., 2013).

Based on this hypothesis H4 indicated that: Dividend has a significant effect on firm value. The Influence of Inflation (IT) on the CV can be positive or negative (John and Bernanke, 2005), where this theory appears in studies of (Zulfiqar and Ud Din, 2015); (Ifeanyi et al., 2016); (Rostami and Mosavi, 2016).

Therefore the hypothesis is proposed: H5: The level of inflation has a significant effect on firm value. (Hyo Sang, 2018) explained that the effect of ER on positive or negative company performance depends on its involvement in import-export activities at the macro level and industry and company level analysis. Studies with the result that ER has a significant effect on CV were found in (Lee, 2017); (Williams, 2018); (Nagahisarchoghani et al., 2018); (Hyo Sang, 2018) and (Karakus and Bozkurt, 2017).

Based on the description is conveyed hypothesis: H6: Exchange Rates have a significant effect on Company Value. Related to the influence of CSR on CV, (Hamidu et al., 2015) stated that the concepts in CSR enable management to use CSR as a tool to increase profitability, while increasing CV, so CSR has a positive effect on the CV. Support for this statement was found in studies from (Amirudin et al., 2017); (Kumar and Priyadarsini, 2017); (Chung et al., 2018); (Choi et al., 2018).

Therefore based on the descriptions, the hypothesis is presented: H7: CSR has a significant positive effect on Company Value. The relationship of all these variables can be shown in Figure 1 below:

**Figure 1. Framework for Thinking**

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GCG
CSR
Company Size
Dividend
Exchange Rate
Inflation

Company Value
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**METHODOLOGY**

**Research design.** This type of research is explanatory research (Gendro, 2011) which aims to test the hypothesis about the effect of one or several variables (independent variables) on other variables (the dependent variable). The independent variables used are
GCG, CSR, Company Size, Dividends, Inflation and Exchange Rates while the dependent variable is Company Value.

**Research Subjects.** Research subjects or populations in this research are manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2013 to 2017. Following population criteria and research objectives, the sampling method used is purposive sampling (Gendro, 2011), with the determination of the number of samples based on the Slovin formula with a 10% error rate. The number of manufacturing companies listed on the IDX is 131 companies so that \( n \) population \( 5 \times 131 = 655 \), so \( n \) samples \( = 655 / (1 + 655 \times 0.12) = 655 / 7.55 = 87 \), rounded to 90, thus the number of samples is 18 companies every year observation.

**Research Process Flow.** This study includes explanatory research that explains the causal relationship between variables through hypothesis testing. Some things that will be discussed include research objects, research methods, populations and samples, types and sources, data collection techniques, data testing, and data analysis methods, as summarized in the fishbone diagram research flowchart, as follows:

![Fishbone Diagram](image)

Note:

A. **Objek penelitian:** Research Object
B. **Operasionalisasi variabel:** variable operationalization
C. **Populasi, sampel dan unit analisis:** Population, sample and analysis unit
D. **Teknik Pengumpulan Data:** Data collection technique
E. **Pengujian dan Analisis Data:** Testing and Data Analysis:
F. **Pembahasan Hasil dan Interpretasi:** Discussion of Result and Interpretation
G. **Luaran Penelitian:** Research Output

**Definition of Variable Operations**
The operationalization of the research variables is explained in the following table 1:
Table 1. Operationalization of Variables

| Variable     | DIMENSION    | INDICATOR                        | SCALE |
|--------------|--------------|----------------------------------|-------|
| GCG          | Non-Financial| Independent Board Proportion     | Ratio |
|              |              | Institutional Ownership Proportion| Ratio |
| CSR          | Non-Financial| GRI Disclosure                   | Ratio |
| Company Size | Non-Financial| Ln Total Asset                   | Ratio |
| Deviden      | Non-Financial| Deviden Pay Out Rasio            | Ratio |
| Inflation Rate| Non-Financial| Average inflation rate           | Ratio |
| Exchange Rate| Non-Financial| Average Exchange Rates           | Ratio |

Source: (Processed Data, 2019)

**Analysis Method.** Because the data to be tested is panel data, the data analysis used is regression analysis with the E-views program version 9.0 (Lela, 2018) with the following stages: a) Descriptive Statistical Analysis, b) Classical Assumption Test includes the test: Normality, Multicollinearity, Heteroscedasticity and Autocorrelation, c) Hypothesis Tests include: Determination Coefficient Analysis ($R^2$), F Test and Statistical F Test, t-Test.

**RESULT AND DISCUSSION**

**Description of Research Object.** The object of research is manufacturing companies listed on the Indonesia Stock Exchange which published financial statements from 2014 to 2018. The number of manufacturing companies listed on the IDX is 131 companies so that the population $131 \times 5 = 655$, determining the number of samples taken with the Slovin formula with the level of error of 10%, $n$ samples $= 655/ (1+ (655 \times 0.12)) = 655 / 7.55 = 87$, rounded up to 90 and based on the purposive sampling criteria obtained a sample of 18 companies from various sectors.

**Description Analysis.** Description analysis describes the description of a data that is seen from the average (mean), maximum, minimum and standard deviation of each variable (Ghozali, 2006).

The dependent variable used in this study is Company Value measured by Tobin's Q, while the independent variable consists of the Good Corporate Governance mechanism represented by the Independent Board as measured by the proportion of independent commissioners and Institutional Ownership as measured by the proportion of share ownership by the institution, Corporate Social Responsibility (CSR) measured from the GRI index score, Dividend Pay Out Ratio (DPR) as measured by the proportion of dividend payments, Exchange Rate is measured by an average exchange rate of $US against Rupiah, Size measured in total assets and Inflation Rate measured by average inflation annually as shown in table 2.
Table 2. Test Result of Descriptive Statistics

| Source: (Output Eviews Version 10, 2019) |
|-----------------------------------------|
| **FIRM_VALUE** | **INDEPENDENT** | **INSTITUTIONAL** | **CSR** | **DPR** | **NILAI TUKAR** | **SIZE** | **TINGKAT INFLATION RATE** |
| Mean         | 2.781847        | 0.385344          | 0.699301 | 0.091819 | 0.436974       | 13500.80 | 29.03219                    |
| Median       | 1.677996        | 0.400000          | 0.746359 | 0.065934 | 0.402341       | 13555.00 | 28.90107                    |
| Maximum      | 22.55938        | 0.750000          | 0.962097 | 0.472527 | 2.248694       | 14300.00 | 31.86654                    |
| Minimum      | 0.074034        | 0.000000          | 0.139680 | 0.010989 | -2.009958      | 12388.00 | 25.61948                    |
| Std. Dev.    | 4.158162        | 0.128769          | 0.190096 | 0.082008 | 0.587571       | 630.1266 | 5.251949                    |
| Skewness     | 3.238885        | -0.972501         | -1.084677 | 2.508134 | -0.256576       | 1.463887 |
| Kurtosis     | 13.32699        | 5.752991          | 3.886706 | 11.04126  | 8.456362       | 2.527332 | 1.463887                    |
| Jarque-Bera  | 557.3780        | 45.13054          | 20.59630 | 336.8428  | 7.893882       | 2.881453 | 32.29556                    |
| Probability  | 0.000000        | 0.000000          | 0.000034 | 0.000000  | 0.000000       | 0.019319 | 0.036756                    |
| Sum          | 250.3662        | 34.68095          | 62.33705 | 8.263736  | 39.32768       | 121507.2 | 261.2897                    |
| Sum Sq. Dev. | 1538.838        | 1.475759          | 3.216157 | 0.585554  | 30.72638       | 35338298 | 233.6502                    |

| Observations  | 90             | 90             | 90           | 90           | 90           | 90     |

Number of samples (N). The number of samples there are 90 manufacturing companies listed on the Stock Exchange for 5 consecutive years consisting of Firm Value, Independent board, Institutional Ownership, CSR, Parliament, Exchange Rates, Size, and Inflation Rate.

Company Value. Company Value has a Minimum value of 0.0740, owned by PT. Indomobil Sukes International (Tbk) in 2017 and a maximum value of 22.5594 owned by PT Unilever Indonesia (Tbk) in 2017 with an average value of 2.781852 and a variation of the average (standard deviation) of 4.1581595. With a mean of 2.781852 measured with Tobin's Q shows that the prospects for manufacturing companies are very good.

Independent Board. Independent Board has a minimum value of 0,000, which is owned by PT. Unilever Indonesia (Tbk) in 2014-2018 and a maximum value of 0.7500 owned by PT Tempo Scan Pacific (Tbk) in 2014. With an average value of 0.385334 and a variation of the average (standard deviation) of 0, 1287768. With a mean of 0.385334, it shows that the proportion of the Independent Board is quite large, almost 40% of the entire board.

Institutional Ownership. Institutional Ownership has a Minimum value of 0.1397 found at PT. Arwana Citra Mulia (Tbk) in 2016-2017 and a maximum value of 0.9621 owned by PT Surya Toto Indonesia (Tbk) in 2014. With an average value (mean) of 0.699309 and a variation of the average (standard deviation) 0, 1900941. Nearly 70% of the shares of manufacturing companies are owned by institutions.

Corporate Social Responsibility (CSR). CSR has a Minimum value of 0.0110 found at PT. Tempo Scan Pacific (Tbk) in 2017 and 2018 and a maximum value of 0.4725 is found in PT Indocement Tunggal Prakarsa (Tbk) in 2014. Hence, an average value of 0.091827 and a variation of the average (standard deviation) of 0.0820000. Based on the Global Reporting Initiative Index score, CSR awareness of manufacturing companies is still very low, which is only 9%.
Dividends/ DPR/ Dividends have a Minimum value of -2,0100, found at PT. Indomobil Sukses International (Tbk) in 2015 and a maximum value of 2.22487 are found in PT Indocement Tunggal Prakarsa (Tbk) in 2018. With an average value of 0.436974 and a variation of the average (standard deviation) of 0, 5875751. The percentage of profits distributed as dividends to manufacturing companies is quite large at over 43%.

Exchange rate. Exchange rates have a minimum value of 12388.0 found in all companies18 in 2014. And a maximum value of 14300.0 was found in all companies in 2018. With an average value (mean) of 13500,800 and an average variation (standard deviation) of 630.1266.

Company Size/ Size. Size has a Minimum value of 25.6195 found at PT. Lionmesh Prima (Tbk) in 2015 and a maximum value of 31.8665 found in PT Gudang Garam (Tbk) in 2018. With an average (mean) value of 29.032191 and an average variation (standard deviation) of 1.6202662. The size of the majority of manufacturing companies is on average because of the small standard deviations, which have roughly the same size.

Inflation Rate (IT). IT has a Minimum value of 3.0200, found in 18 companies in 2016 and a maximum value of 8.3600 found in 18 companies in 2014 with an average value of 4.294000 and a variation of the average (standard deviation ) amounting to 2.054492.

Panel Data Regression Model Estimation. In the panel data regression analysis there are 3 approaches of the regression model namely the Common Effect, Fixed Effect and Random Effect approaches. The following are the results of each approach.

Common Effect Approach. The first model of Eviews panel data regression is the Common Effect shown in Table 3 below:
Table 3. Pooled Least Square (Common Effect)

Dependent Variable: FIRM_VALUE
Method: Panel Least Squares
Date: 10/03/19 Time: 21:29
Sample: 2014 2018
Periods included: 5
Cross-sections included: 18
Total panel (balanced) observations: 90

| Variable            | Coefficient | Std. Error | t-Statistic | Prob.  |
|---------------------|-------------|------------|-------------|--------|
| INDEPENDENT_BOARD   | -20.30425   | 2.498925   | -8.125197   | 0.0000 |
| INSTITUTIONAL.Owner | 1.019182    | 1.526213   | 0.626721    | 0.5326 |
| CSR                 | 4.401753    | 4.201385   | 1.047691    | 0.2979 |
| DPR                 | 1.105321    | 0.535882   | 2.062519    | 0.0423 |
| NILAI_TUKAR         | -0.000982   | 0.001054   | -0.982228   | 0.3540 |
| SIZE                | 0.546839    | 0.200329   | 2.729712    | 0.0078 |
| TINGKAT_INFLASI     | -0.016989   | 0.321242   | -0.052887   | 0.9580 |
| C                   | 6.465469    | 16.20950   | 0.398869    | 0.6910 |

R-squared: 0.595519
Adjusted R-squared: 0.561425
S.E. of regression: 2.753743
Sum squared resid: 621.8144
Log likelihood: -214.6819
F-statistic: 17.27669
Prob(F-statistic): 0.000000

Source: (Output Eviews Version 10, 2019)

Note:
Nilai Tukar: Exchange Rate
Tingkat Inflasi: Inflation Level

**Fixed Effect Approach.** The second approach of the panel data regression model is the Fixed Effect shown in Table 4 below:
Table 4. Fixed Effect

| Variable               | Coefficient | Std. Error | t-Statistic | Prob  |
|------------------------|-------------|------------|-------------|-------|
| INDEPENDENT_BOARD      | -1.407543   | 1.624004   | -0.866711   | 0.3953|
| INSTITUTIONAL_OWNERSHIP| 5.583318    | 1.962658   | 2.844773    | 0.0059|
| CSR                    | -3.344877   | 2.061296   | -1.921244   | 0.0551|
| DPR                    | -0.072503   | 0.218155   | -0.332368   | 0.7407|
| NILAI_TUKAR            | -0.000369   | 0.000331   | -1.114644   | 0.2581|
| SIZE                   | -0.209445   | 0.600166   | -0.348978   | 0.7262|
| TINGKAT_INFLASI        | -0.315548   | 0.058002   | -0.532835   | 0.5713|
| C                      | 10.94033    | 16.74736   | 0.653257    | 0.5159|

Effects Specification

Source: (Output Eviews Version 10, 2019)

Note:
Nilai Tukar: Exchange Rate
Tingkat Inflasi: Inflation Rate

Random Effect Approach. The third approach of the panel data regression model is the Random Effect shown in Table 5 below:
Table 5. Random Effect

| Variable               | Coefficient | Std. Error | t-Statistic | Prob.  |
|------------------------|-------------|------------|-------------|--------|
| INDEPENDENT_BOARD      | -3.937484   | 1.538499   | -2.377368   | 0.0198 |
| INSTITUTIONAL_OWNERSHIP| 4.937874    | 1.687112   | 2.930162    | 0.0047 |
| CSR                    | -2.778495   | 1.886882   | -1.488537   | 0.1404 |
| DPR                    | 0.000153    | 0.217968   | 0.000719    | 0.9994 |
| NILAI_TUKAR            | -0.000515   | 0.000320   | -1.809802   | 0.1113 |
| SIZE                   | 0.326462    | 0.327043   | 0.998224    | 0.3211 |
| TINGKAT_INFLASI        | -0.015395   | 0.095492   | -0.161213   | 0.8723 |
| C                      | -1.440935   | 9.855643   | -0.148204   | 0.8841 |

Effects Specification

| S.D.    | Rho    |
|---------|--------|
| 2.571843| 0.9103 |

Weighted Statistics

| R-squared | Adj. R-squared | Mean dependent var | 0.306704 |
|-----------|----------------|--------------------|----------|
| 0.191004  | 0.122812       | S.D. dependent var | 0.978468 |
| 0.914644  | Sum squared resid | 69.58399    |          |
| 2.730082  | Durbin-Watson stat | 1.652423    |          |
| 0.012060  | Prob(F-statistic) |               |          |

Unweighted Statistics

| R-squared | Mean dependent var | 2.731847 |
|-----------|--------------------|----------|
| 0.156225  | Durbin-Watson stat | 0.088544 |
| 1279.986  |                   |          |

Source: (Output Eviews Version 10, 2019)

Note:
Nilai Tukar: Exchange Rate
Tingkat Inflasi: Inflation Level

Selection of Data Regression Panel Model

Fixed Effect Test (Chow Test). Chow Test is a test of a model that will compare the Pooled Least Square (Common Effect) model and the Fixed Effect model. In this test the hypothesis is as follows:

H₀: Model Common Effect
H₁: Model Fixed Effect

H₀ is rejected if the P-value is smaller than α. Conversely, H₀ is accepted if the P-value is greater than the value of α. The α value used is 5%. By using Eviews version 10, the result of data processing is as follows:
Table 6. Result of Fixed Effect Test

| Effects Test                  | Statistic   | d.f. | Prob  |
|------------------------------|-------------|------|-------|
| Cross-section F              | 52.281740   | (17,65) | 0.0000 |
| Cross-section Chi-square     | 241.745023  | 17   | 0.0000 |

Cross-section fixed effects test equation:
Dependent Variable: FIRM_VALUE
Method: Panel Least Squares
Date: 10/04/19  Time: 17:21
Sample: 2014-2018
Periods included: 5
Cross-sections included: 18
Total panel (balanced) observations: 90

| Variable                        | Coefficient | Std. Error | t-Statistic | Prob   |
|---------------------------------|-------------|------------|-------------|--------|
| INDEPENDENT_BOARD               | -20.30426   | 2.498825   | -8.125197   | 0.0000 |
| INSTITUTIONAL_OWNERSHIP         | 1.019182    | 1.628213   | 0.620721    | 0.5326 |
| CSR                             | 4.401753    | 4.201386   | 1.047691    | 0.2979 |
| DPR                             | 1.105321    | 0.535882   | 2.062619    | 0.0423 |
| NILAI_TUKAR                     | -0.000932   | 0.001054   | -0.932228   | 0.3540 |
| SIZE                            | 0.546839    | 0.200329   | 2.729712    | 0.0078 |
| TINGKAT_INFLASI                 | -0.016908   | 0.321242   | -0.052887   | 0.9580 |
| C                               | 6.405489    | 16.20505   | 0.398869    | 0.6910 |

R-squared: 0.595918  Mean dependent var: 2.781847
Adjusted R-squared: 0.561425  S.D. dependent var: 4.158182
S.E. of regression: 2.753743  Akaike info criterion: 4.848487
Sum squared resid: 621.8144  Schwarz criterion: 5.170692
Log likelihood: -214.6819  Hannan-Quinn criterion: 5.038093
F-statistic: 17.27599  Durbin-Watson stat: 0.657821
Prob(F-statistic): 0.000000

Note:
Nilai Tukar: Exchange Rate
Tingkat Inflasi: Inflation Level

Based on the result of the Chow Test showed that the p-value F test of 0.000 with a significance level of 5% (α = 0.05), then the p-value (0.0000) < α (0.05), therefore H0 (Common Effect Model) is rejected and the accepted is the fixed effect model.

Random Effect Test (Hausman Test). The purpose of the Hausman Test as a statistical test is to choose between Fixed Effect and random-effects models, which are the most appropriate. The Hausman test is carried out with the following hypothesis:

H₀: Random Effect Model
H₁: Fixed Effect Model

P-value < 0.05 then H₀ is rejected, the method chosen is a fixed effect. If p-value > 0.05 then the method we choose is a random effect. The result of these tests can be shown in the table below:
Table 7. Test Result of Random Effect

| Source: (EViews Output Version 10, 2019) |
|-----------------------------------------|
| Cross-section random effects test equation: |
| Dependent Variable: FIRM_VALUE |
| Method: Panel Least Squares |
| Date: 10/04/19 Time: 17:25 |
| Sample: 2014 2018 |
| Periods included: 5 |
| Cross-sections included: 18 |
| Total panel (balanced) observations: 90 |

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|----------|-------------|------------|-------------|-------|
| Ø        | 10.94033    | 16.74738   | 0.653257    | 0.5159|
| INDEPENDENT BOARD | -1.407543 | 1.824004 | -0.806711 | 0.3995 |
| INSTITUTIONAL OWNERSHIP | 5.583316 | 1.962668 | 2.944773 | 0.0059 |
| CSR | -3.844579 | 2.001295 | -1.921244 | 0.0591 |
| DPP | 0.027508 | 0.218155 | -0.332368 | 0.7407 |
| NILAI_TUKAR | -0.000589 | 0.000331 | -1.114944 | 0.2991 |
| SIZE | -0.200445 | 0.001089 | -0.182305 | 0.0713 |
| TINGKAT_INFLASI | -0.015649 | 0.006602 | -0.128355 | 0.9713 |

Source: (EViews Output Version 10, 2019)

Note:
Nilai tukar: Exchange rate
Tingkat inflasi: Inflation level

Based on the Hausman test result, it showed a random cross-section p-value of 1.0000 > 0.05 with a significance level of 5%. Thus, it stated that the Random Effect Model is better than the Fixed Effect Model.
Lagrange Multiplier Test (LM-Test). Lagrange Multiplier Test is conducted to determine the best method between the common effect or random effect. The hypothesis used is:

\[ H_0: \text{Common Effect Model} \]
\[ H_1: \text{Random Effect Model} \]

With the provisions: H0 is rejected if the value of Prob. Breusch-Pagan (BP-value) is smaller than the value of \( \alpha \). Conversely, H0 is accepted if the value is Prob. Breusch-Pagan (BP-value) is greater than the \( \alpha \) value, the \( \alpha \) value used is 5%.

**Table 8. Test Result of Lagrange Multiplier**

| Lagrange Multiplier Tests for Random Effects | Cross-section | Time | Both |
|--------------------------------------------|--------------|------|------|
| Breusch-Pagan                              | 78.46733     | 2.441369 | 30.92919 |
|                                           | (0.0000)     | (0.1181) | (0.0000)  |
| Honda                                      | 8.853092     | -1.562545 | 5.159520 |
|                                           | (0.0000)     | (0.9409) | (0.0000)  |
| King-Wu                                    | 8.853092     | -1.562545 | 3.469552 |
|                                           | (0.0000)     | (0.9409) | (0.0009)  |
| Standardized Honda                         | 10.20916     | -0.931214 | 3.452952 |
|                                           | (0.0000)     | (0.6241) | (0.0003)  |
| Standardized King-Wu                       | 10.20916     | -0.931214 | 0.883630  |
|                                           | (0.0000)     | (0.6241) | (0.1884)  |
| Gourieroux, et al.*                        | --           | --     | 78.48733  |
|                                           | --           | --     | (0.0000)  |

Source: (EViews Output Version 10, 2019)

The Lagrange Multiplier Test result showed that the value of Prob. Breusch-Pagan (BP-value) of 0.0000 with a significance level of 5% (\( \alpha = 0.05 \)), then Prob. BP-value (0.0000) \( \approx \alpha \) (0.05). Thus, H0 (Common Effect Model) is rejected, meaning, the accepted model is the Random Effect Model.

Formulation of Panel Data Regression Model. Based on the model test conducted, the model used in panel data regression in this study is the Random Effect model. The panel data regression test result uses the Random Effect model is presented in the following table:
Table 9. Test Result of data Panel

**Dependent Variable:** FIRM_VALUE  
**Method:** Panel EGLS (Cross-section random effects)  
**Date:** 10/03/19  
**Time:** 21:42  
**Sample:** 2014-2018  
**Periods included:** 5  
**Cross-sections included:** 10  
**Total panel (balanced) observations:** 90  
**Swamy and Arora estimator of component variances**

| Variable                  | Coefficient | Std. Error | t-Statistic | Prob.  |
|---------------------------|-------------|------------|-------------|--------|
| INDEPENDENT_BOARD         | -3.657404   | 1.536499   | -2.377306   | 0.0180 |
| INSTITUTIONAL_OWNERSHIP   | -4.897874   | 1.687118   | -2.803102   | 0.0047 |
| CSR                       | -2.778485   | 1.866538   | -1.488537   | 0.1404 |
| DPR                       | 0.000153    | 0.212796   | 0.000719    | 0.9994 |
| NILAI_TUKAR               | -0.000515   | 0.000320   | -1.609802   | 0.1113 |
| SIZE                      | 0.326482    | 0.327043   | 0.988224    | 0.3211 |
| TINGKAT_INFLASI           | -0.015395   | 0.095492   | -0.161213   | 0.8723 |
| C                         | -1.440935   | 0.855643   | -1.642024   | 0.8641 |

**Effects Specification**

| S.D. | Rho  |
|------|------|
| 2.571043 | 0.9103 |
| 0.007429  | 0.0097 |

**Weighted Statistics**

| R-squared | Mean dependent var | 0.191804 | 0.386754 |
| Adjusted R-squared | S.D. dependent var | 0.122812 | 0.976468 |
| S.E. of regression | Mean squared resid | 0.914544 | 0.595299 |
| F-statistic | Durbin-Watson stat | 2.786002 | 1.652463 |
| Prob(F-statistic) | 0.012060 |

**Unweighted Statistics**

| R-squared | Mean dependent var | 0.166225 | 2.731847 |
| Sum squared resid | Durbin-Watson stat | 1279.966 | 0.085444 |

Source: (EViews Output Version 10, 2019)

Note:
Nilai tukar: Exchange Rate
Tingkat Inflasi: Inflation Level

The panel data regression equation model formed in this study is the Random Effect model. Based on table 9 it can be shown the value of the coefficient constant so that the equation can be formed as follows: Firm Value (Y) = - 1.440935 - 3.657484 (IB) + 4.897874 (IO) - 2.778485 (CSR) + 0.000153 (DPR) - 0.000515 (Exchange Rates) + 0.326462 (SIZE) - 0.015395 (Inflation Rate).

**Classic assumption test.** Because the panel data regression equation model generated from the model selection test is the Random Effect model, this does not require the classical assumption test (Indra, 2018).
Hypothesis test

Coefficient of Determination. Based on the test result of the random effect model method, an Adjusted R2 (R-squared) value of 0.122812 is obtained. Thus, it can be seen that the variables of the Independent Board, Institutional Ownership, Corporate Social Responsibility, and Dividend Payout Ratio, Exchange Rates, Size, and The inflation rate can explain the Firm Value of 12.28%, while the remaining 87.72% is influenced by other variables outside the variable. For the R Squared value obtained 19.18% value indicates that the influence of the independent variable on Firm Value is not strong, this is because R Squared has a correlation value <0.50.

F-Test (Simultaneous). Based on the test result of the random effect model method, it is obtained that the calculated F value of 2.780082 with a probability of 0.012060 <0.05, thus the results of the analysis show that together the independent variables are Independent Board, Institutional Ownership, Corporate Social Responsibility, Dividend Payout Ratio, Exchange Rate, Size and Inflation Rate Affect Firm Value, so that the panel data regression model is feasible.

The T-test (partial). Based on the test result of the random effect model method in Table 4.8, there are 2 variables that affect Firm Value, namely the Independent Board variable with a probability of 0.0198 <0.05 negative direction and Institutional Ownership with a probability of 0.0047 where <of 0.05 and positive direction, while 5 other variables CSR (prob of 0.1404), DPR (0.9994), Exchange Rate (0.1113), Size (0.3211) and Inflation Rate (0.8723) wherein each probability> from 0.05 so it has no effect on Firm Value.

Summary of Hypothesis Test Result. Based on table 9 of the Individual Parameter Test Statistics, the following is a summary of the test results presented in table 10.

Table 10. Summary of Hypothesis Test Result

| Hypothesis | Explanation | Result |
|------------|-------------|--------|
| H₁         | Independent Board has a significant positive effect on Company Value | Independent Board has a significant negative effect on Company Value |
| H₂         | Institutional Ownership has a significant positive effect on Company Value | Institutional Ownership has a significant positive effect on Company Value |
| H₃         | Corporate Social Responsibility berpengaruh positive signifikan terhadap Nilai Perusahaan. | Corporate Social Responsibility does not significantly influence Company Value |
| H₄         | Dividends have a significant effect on Company Value | Dividends do not have a significant effect on Company Value |
| H₅         | Exchange Rates have a significant effect on Company Value | Exchange Rates do not have a significant effect on Company Value |
| H₆         | SIZE has a significant effect on Company Value | SIZE has no significant effect on Company Value |
DISCUSSION

**Effect of Independent Board on Company Value.** The statistical result showed that the Independent Board variable has a significant negative effect on Firm Value, meaning that there is a negative influence between the Independent Board and Company Value, as the study (Zabri et al., 2016). This contradicts the statement that GCG is a system that regulates and controls the company in creating value-added for all stakeholders (Monks, 2003) which means there should be a positive influence between the Independent Board and Firm Value. This contradictory effect is caused by many factors, one of these factors, among others, is that in the activities of diverse and significantly complex manufacturing companies that require adequate proportions and competencies to be able to create added value, the number of relatively small proportions of IBs that may also have not been supported by an adequate level of competence that is unable to create added value for the company.

**The Effect of Institutional Ownership on Company Value.** Statistical result explained that Institutional Ownership has a significant positive effect on Company Value, this is consistent with the statement that the GCG mechanism, Institutional Ownership, is able to encourage the application of GCG principles namely Transparency, Accountability, Responsibility, Independence and Fairness so that it will create added value and increase Company Value (Amirudin et al., 2017), (Wan Yusof and Alhaji, 2012), (Monks and Minow, 2003) and in line with studies (Leksono and Vhaley, 2018), (Amirudin et al., 2017), (Iwan et al., 2016), (Sigit, 2015) (Sigit and Winwin, 2016).

**Effect of Corporate Social Responsibility on Company Value.** Statistical results explained that Corporate Social Responsibility does not significantly influence Company Value. This is contrary to stakeholder theory and (Hamidu et al., 2015) which stated that the concepts in CSR enable management to use CSR as a tool to increase profitability while increasing Company Value. This is likely that in manufacturing companies, CSR activities are usually standard according to regulations; each company in this sector is accompanied by an AMDAL analysis that is already standard so that it is not a determining factor for increasing Company Value.

**Effect of Dividends on Company Value.** Statistical result showed that the DPR has no significant effect on Company Value, this contradicts the statement that dividends are payments of a portion of profits from a company to shareholders, where dividend payments are one of the information awaited by shareholders because investors perceive that dividend payments are one indication of the company's financial health as a representation of Company Value (Rajhans, 2013) on the other hand the research controversy related to the effect of dividend policy on performance found in research (Ali et al., 2015), (Al Hasan et al., 2013) has a significant positive effect, (Ahmad et al., 2018) has a significant negative effect, while (Irandoost et al., 2013) with significant...
effect only in the short term, so the study of the influence of dividends on FV in manufacturing companies is still diverse. The dividend effect on FV cannot be caused by investors' perceptions also that the average manufacturing company is financially well-established, thus dividend payment is a matter that is usually not related to the financial health of the company.

**Effects of Exchange Rates on Company Value.** The result showed that Exchange Rates do not have a significant effect on Company Value, this is contrary to the general theory which stated that Exchange Rates affect Company Value, both positive and negative depending on the company's connectivity to import and export activities that show the intensity of the effect of Exchange Rates on Company Value. From the sample of manufacturing companies studied, the majority did not yet have a strong enough intensity on export and import activities and some had high intensity but eliminated each other so that the effect was not shown.

**Effect of SIZE on Company Value.** Statistical calculations explained that SIZE does not have a significant effect on Company Value, this is contrary to the statement that the greater the company the greater the opportunity to obtain additional revenue, due to the increasing number of activities that encourage added value (Dang and Li, 2015). Data from descriptive statistics provide information that SIZE, as measured by Ln Total Assets, is relatively stable from year to year so that there is no change in sample company scale during the study period so that variations in Company Value are not caused by SIZE variables in line with research (Niresh and Velhampy, 2014) stated that SIZE has no effect on Company Value.

**Influence of Inflation Rate on Company Value.** Statistical calculations explained that the inflation rate has no significant effect on the value of the company, which is contrary to the statement that the inflation rate should affect the value of the company both positively and negatively. Studies related to the influence of Inflation Rate on Company Performance, in general, are still diverse, as studies (Zulfijiqar and Ud Din, 2015) with result having a significant effect on Return on Assets (ROA) but not on Return on Equity (ROE), (Ifeanyi et al., 2016) there is a strong negative relationship between IT and Company Value (CV), but not ROA, (Rostami and Mosavi, 2016) stated that IT improves and increases company profitability. All of these impacts depend on the inflation rate which occurs in this study, the average inflation is 4% with a median of 3.3% during the observation year is an indication that the Inflation Rate on Company Value is not yet strong enough.

**CONCLUSION**

**Conclusion.** The influence of non-financial determinants is represented by variables Independent Board, Institutional Ownership, Corporate Social Responsibility, Dividend Payout Ratio, Exchange Rates, Size and Level of Inflation on Company Value only in small portions and not strong. Of all the independent variables, Institutional Ownership individually has a significant effect on Company Value, while the Independent Board variables, Corporate Social Responsibility, Dividend Payout Ratio, Exchange Rates, Size
and Inflation Rate do not affect. This research implies that in the preparation of performance improvement strategies, company management is advised to consider non-financial factors namely Independent Board, Institutional Ownership, Corporate Social Responsibility, Dividend Payout Ratio, Exchange Rates, Size, and Inflation level.

**Suggestion.** It is recommended to policymakers to expand the legality of GCG and CSR activities so that the activities of GCG and CSR manufacturing companies have the potential to influence Company Value while impacting the community's environment. It is recommended to the next researcher to re-examine the non-financial variables of Company Value determinants by adding other variables and increase the duration of the study to obtain clear information on the direction of the influence of these variables on Company Value in manufacturing companies.

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