www.bircu-journal.com/index.php/birci
Budapest International Research and Critics Institute-Journal (BIRCI-Journal)
Humanities and Social Sciences
ISSN 2615-3076 Online)
ISSN 2615-1715 (Print)
Budapest Institute

Effect of Inflation, Interest Rates, Exchange Rates, Gross Domestic Product, and Good Corporate Governance on the Value of Consumer Goods Companies Listed on the Indonesia Stock Exchange

Angelin Effendi[1], Viviana Indri[2], Ninta Katharina[3]
[1,2,3]*Universitas Prima Indonesia, Indonesia*
angeleffendi09@gmail.com, vivianaliang66@gmail.com, nintakatharina@unprimdn.ac.id

Abstract

The purpose of this study is to analyze effect of inflation, interest rates, exchange rates, gross domestic product, and good corporate governance on the value of consumer goods companies listed on the Indonesia Stock Exchange. The form of this research is quantitative and descriptive. The population used is 57 Consumer Goods Companies listed on the Indonesia Stock Exchange on the 2017-2020. This research uses purposive sampling. The total number of data observations in this study is 84 observation data. The research data analysis method is multiple linear regression analysis. Multiple linear regression analysis using partial test (t) and simultaneous test (F). The results show that inflation has a positive and insignificant effect on the value of consumer goods companies listed on the Indonesia Stock Exchange. Interest rates has a positive and insignificant effect on the value of consumer goods companies listed on the Indonesia Stock Exchange. Exchange rates has a positive and insignificant effect on the value of consumer goods companies listed on the Indonesia Stock Exchange. Gross domestic product has a negative and insignificant effect on the value of consumer goods companies listed on the Indonesia Stock Exchange. Good corporate governance has a positive and insignificant effect on the value of consumer goods companies listed on the Indonesia Stock Exchange. Inflation, interest rates, exchange rates, gross domestic product, and good corporate governance simultaneously have a significant effect on the value of consumer goods companies listed on the Indonesia Stock Exchange.

Keywords
inflation; interest rates; exchange rates; gross domestic product; good corporate governance

I. Introduction

Consumer product companies supply people's daily needs. The industrial sector is further divided into the food and beverage, tobacco, pharmaceutical, cosmetic, and household products sub-sectors. The consumer products business is also one of the sectors that is currently developing well. Moreover, the consumer product business is one of the industries most sought after by investors because people cannot live without it. The 19.16 percent capitalization value was reported by the Financial Services Authority for 2020, up from 16.17 percent the previous year.

This growing age helps Indonesian companies to grow. All of these businesses have set short and long term goals. The basic goal of starting a business is to maximize profits while lowering costs. The company's long-term goal is to maximize its value. Investors need to know the value of the company before investing in it. The greater the value of the company, the more secure the future of shareholders and the more investors will invest in

DOI: https://doi.org/10.33258/birci.v5i2.5624

Budapest International Research and Critics Institute-Journal (BIRCI-Journal)
Volume 5, No 2, May 2022, Page: 16916-16923
e-ISSN: 2615-3076 (Online), p-ISSN: 2615-1715 (Print)
www.bircu-journal.com/index.php/birci
email: birci.journal@gmail.com

it. However, there are many things that can impact a company's value, both internally and externally.

The impact of inflation, interest rates, exchange rates, gross domestic product, and good corporate governance on business value.

The data shows that the average rate of inflation, interest rates, and gross domestic product. Inflation and rising interest rates immediately impact corporate spending and interest payments thereby lowering firm value. The increase in gross national product will also increase people's purchasing power. This will increase the company's revenue, which will indirectly increase its value.

From 2017 to 2020, a decrease in inflation, interest rates, and gross domestic product can be interpreted as a shift in company value. Researchers are interested in presenting a research title that combines various aspects that have an impact on company value.

The purpose of this study is to analyze effect of inflation, interest rates, exchange rates, gross domestic product, and good corporate governance on the value of consumer goods companies listed on the Indonesia Stock Exchange.

II. Review of Literature

2.1 The Value of the Company

The market value of a company is determined by the price of its shares. Various management strategies are used to boost the value of the company through increasing stock prices (Brighton and Daves, 2014). Securities and other company assets are valued at company value.

One of the company's goals is to maximize shareholder wealth. Increasing shareholder wealth can be achieved through increasing company value. The higher the value of the company, the more prosperous the shareholders. The value of the company is also reflected in the share price, where if the share price decreases, the value of the company decreases, so this has an impact on the decline in the prosperity of shareholders and vice versa if the share price is higher, the value of the company is also higher, so that the greater the value of the company prosperity that will be received by shareholders. Firm value is an important thing for a manager as well as for an investor. For a manager, the value of the company is a benchmark for the work performance he has achieved. For investors, an increase in company value is a good perception of the company. If an investor already has a good view of the company, the investor will be interested in investing so that this will make the company's stock price increase (Brighton and Daves, 2014).

The main purpose of the company is to pay attention to the welfare of the company owner by optimizing the value of the company. The value of the company can be taken into consideration for potential investors who want to invest in the company. The value of the company in the capital market will increase if it is characterized by a high rate of return on investment to shareholders. The value of companies that have been listed as go public in the capital market is reflected in the company's share price (Brighton and Daves, 2014).

Company value is the price paid by investors or potential investors through share ownership and share price movements. The increase or decrease in stock prices has a significant effect on the value of a company, although it is not the only determinant. There are other factors that influence the value of the company, including investment decisions, which are decisions made by the company in spending its funds in the form of certain assets in the hope of getting profits in the future (Brighton and Daves, 2014).

2.2 Inflation

Sourced from Sukirno (2016), inflation is the process of increasing prices. Inflation can harm a company's financial performance, reduce sales, and deter investors.

Inflation is defined as a symptom of a general and continuous increase in the price of goods. From this understanding, inflation is a symptom that occurs due to an increase in the price of goods that occurs intentionally or naturally, which occurs not only in one place, but in all corners of a country, even the world deviations that cause inflation (Sukirno, 2016).

The cause of inflation is the increase in the prices of imported goods, the addition of an excessive supply of money without being followed by an increase in production and supply of goods, as well as the occurrence of political and economic chaos as a result of an irresponsible government (Sukirno, 2016).

2.3 Interest Rates

In Indonesia, interest rates are determined by Bank Indonesia. Bank Indonesia's interest rates represent the position of Bank Indonesia's monetary policy that is presented to the public. Noerirawan and Muid (2012) claim that variations in interest rates are controlled by BI regulations. High interest rates reduce the present value of future cash flows, limiting the attractiveness of possible investments.

The interest rate is the price that banks or other borrowers have to pay to take advantage of money for a certain period of time. Based on this definition, it can be concluded that the interest rate is a reward that will be received later for the sacrifices made or in other words the interest rate is the price of the use of money or as a lease for the use of money within a certain period of time. The amount of loan interest is strongly influenced by the amount of interest on deposits. The greater or the more expensive the deposit interest, the greater the loan interest and vice versa. In addition to deposit interest, the effect of the size of loan interest is also influenced by profits taken, operating costs incurred, reserves for bad credit risk, taxes and other influences. So it can be concluded that this activity of collecting funds and distributing funds is a general banking activity (Noerirawan and Muid, 2012).

Currently, the role of the bank as a financial institution is growing, mainly due to several factors, such as the increase in people's income which has led to an increase in people's ability to save. In line with this, banks are also growing by offering various alternative deposits of funds and service products to meet the needs of the community, especially the ease of transactions and being able to provide security guarantees for these deposits. Banking conditions that often experience changes cause banks in Indonesia to compete to attract customers to save their money in the form of savings, deposits and demand deposits by setting interest rates as customer attractiveness (Noerirawan and Muid, 2012).

2.4 Exchange Rates

In microeconomics, exchange rates are the value of one country's currency compared to another or the price at which two countries agree to trade. Exchange rates are the value of one currency vs another currency (Hady, 2016). A stable currency indicates a strong economy. The economic condition of the population is a condition that describes human life that has economic score (Shah et al, 2020).

Exchange rates shows the price of the value of one country's currency which is expressed in terms of the value of another country's currency. So that the exchange rate can also be interpreted as the amount of domestic money needed, namely the number of rupiah needed to obtain one unit of foreign currency (Hady, 2016).

Foreign exchange rates will vary according to changes in the demand and supply of foreign exchange. The demand for foreign exchange is needed to make payments abroad (imports), derived from debit transactions in the international balance of payments. A currency is said to be strong. if the credit autonomic transaction is greater than the debit autonomic transaction (balance of payments surplus), on the other hand it is said to be weak if the balance of payments is in deficit, or it can be said if the demand for foreign currency exceeds the supply of foreign currency (Hady, 2016).

2.5 Gross Domestic Product

Sukirno (2013) defines gross domestic product as the value of goods and services produced by the community and other countries. This metric measures economic growth.

Gross domestic product is an indicator of the success of a country in achieving better development, where if the gross domestic product of the country experiences a significant increase every year then it can be said that the country's development wheel is very good because the gross domestic product which is reflected depicts numbers that are able to improve the standard of living of the community at large. and reducing poverty and unemployment. Gross domestic product is the net value of final goods and services produced by various economic activities in an area within a period. Meanwhile, gross domestic product per capita is gross domestic product divided by the total population. gross domestic product is often used as an indicator of development. The higher the gross domestic product per capita of a country, the greater the income of that country's citizens. This also means that the higher the gross domestic product per capita, the more prosperous the population of a country will be. In other words, the number of poor people will decrease (Sukirno, 2013).

Gross domestic product has an influence on the number of the working force with the assumption that if the value of gross domestic product increases, the total value added of final goods and services in all economic units in a country will increase. The final goods and services that increase in number will cause an increase in the amount of labor demanded (Sukirno, 2013).

2.6 Good Corporate Governance

Kurniawan (2012:27) good corporate governance is a framework for interaction between management and other stakeholders, such as creditors and employees. The good corporate governance system maintains business within permissible limits.

Good corporate governance is a set of regulations that regulate, manage and supervise the relationship between the managers of the company to increase the value of the company. The history of the birth of good corporate governance emerged from the reaction of shareholders in the United States in the 1980s whose interests were threatened. With the many problems and corporate scandals that befell large companies in the United States and in Indonesia, in order to guarantee and secure the rights of shareholders, a discourse on good corporate governance enforcement has emerged as a concept for the empowerment of commissioners (Kurniawan, 2012).

The application of good corporate governance is the right answer and solution to escape the economic crisis that has been experienced by Indonesia. The principle of good corporate governance is a factor in making investment decisions in a company, because this principle is able to provide progress to company performance, so that companies in Indonesia can last a long time in the midst of the economic crisis that occurred and are also able to compete in the world. Good corporate governance is one of the important keys to improve economic efficiency, namely a series of relationships between company management, shareholders, the board of commissioners and other stakeholders. In addition, good corporate governance also facilitates a structure that determines the direction of targets in a company, and as a solution to determine monitoring techniques (Kurniawan, 2012).

III. Research Method

The form of this research is quantitative and descriptive. Quantitative and descriptive research is used to describe, explain, or summarize various conditions, situations, phenomena, or various research variables according to events as they are that can be photographed, interviewed, observed, and which can be expressed through documentary materials (Sugiyono, 2013).

Population is a distinct group of individuals, whether that group comprises a nation or a group of people with a common characteristic (Pandiangan, 2015; Pandiangan, 2018). The population used is 57 Consumer Goods Companies listed on the Indonesia Stock Exchange on the 2017-2020. This research uses purposive sampling. Purposive sampling (also known as judgment, selective or subjective sampling) is a sampling technique in which researcher relies on his or her own judgment when choosing members of population to participate in the study (Pandiangan, 2022; Pandiangan et al., 2022). The following criteria were used to select this sample:

1. Food and Beverage Sub-Sector Companies listed on the Indonesia Stock Exchange.
2. Food and Beverage Sub-Sector Companies that do not publish complete financial reports for 2017-2020.

The total number of data observations in this study is 84 observation data.

The research data analysis method is multiple linear regression analysis. Multiple linear regression analysis, also known simply as multiple regression, is a statistical technique that uses several explanatory variables to predict the outcome of a response variable. Multiple regression is an extension of linear regression that uses just one explanatory variable (). Multiple linear regression analysis using partial test (t) and simultaneous test (F). Partial test (t) means that model specifications shall be tested partially when changes have been made such as adding new part in previously tested model (Pandiangan et al., 2021; Tobing et al., 2018). Simultaneous test (F) is all hypotheses may be tested simultaneously and without reference to one another (Pandiangan et al., 2018).

IV. Results and Discussion

Multiple Linear Regression Analysis Results

4.1 Partial Test (t) Results

Table 1. Partial Test (t) Results

Variable	B	Sig
Inflation	1.652	0.413
Interest Rates	4.370	0.200
Exchange Rates	0.004	0.184
Gross Domestic Product	-1.886	0.179
Good Corporate Governance	0.001	0.964

Dependent Variable: Value

The results show that inflation has a positive and insignificant effect on the value of consumer goods companies listed on the Indonesia Stock Exchange. Interest rates has a positive and insignificant effect on the value of consumer goods companies listed on the Indonesia Stock Exchange. Exchange rates has a positive and insignificant effect on the value of consumer goods companies listed on the Indonesia Stock Exchange. Gross domestic product has a negative and insignificant effect on the value of consumer goods companies listed on the Indonesia Stock Exchange. Good corporate governance has a positive and insignificant effect on the value of consumer goods companies listed on the Indonesia Stock Exchange.

4.2 Simultaneous Test (F) Results

Table 2. Simultaneous Test (F) Results

F	Sig
4.472	0.001

Dependent Variable: Value

Inflation, interest rates, exchange rates, gross domestic product, and good corporate governance simultaneously have a significant effect on the value of consumer goods companies listed on the Indonesia Stock Exchange.

V. Conclusion

The results show that inflation has a positive and insignificant effect on the value of consumer goods companies listed on the Indonesia Stock Exchange. Interest rates has a positive and insignificant effect on the value of consumer goods companies listed on the Indonesia Stock Exchange. Exchange rates has a positive and insignificant effect on the value of consumer goods companies listed on the Indonesia Stock Exchange. Gross domestic product has a negative and insignificant effect on the value of consumer goods companies listed on the Indonesia Stock Exchange. Good corporate governance has a positive and insignificant effect on the value of consumer goods companies listed on the Indonesia Stock Exchange. Inflation, interest rates, exchange rates, gross domestic product, and good corporate governance simultaneously have a significant effect on the value of consumer goods companies listed on the Indonesia Stock Exchange.

Suggestions in this research are:

1. Shareholders or companies must consider adding elements that can impact the value of the company's consumer goods.
2. Other factors not included in this study are the cost of raw materials, wage levels, and export/import demand.

References

Brigham, E. ., & Daves, P. R. (2014). *Intermediate Financial Management*. Cengage Learning.

Hady, H. (2016). *Manajemen Keuangan Internasional*. Mitra Wacana Media.

Kurniawan, A. (2012). *Audit Internal Nilai Tambah Bagi Organisasi*. Edisi Pertama. BPFE.

Noerirawan, M. R. N., & Muid, A. (2012). Pengaruh Faktor Internal dan Eksternal Perusahaan Terhadap Nilai Perusahaan (Studi Empiris pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Periode 2007-2010. *Diponegoro Journal of Accounting*, *1*(1), 582–593. https://ejournal3.undip.ac.id/index.php/accounting/article/view/580.

Pandiangan, Saut Maruli Tua, Oktafiani, Fida, Panjaitan, Santi Rohdearni, Shifa, Mutiara, & Jefri, Riny. (2022). Analysis of Public Ownership and Management Ownership on the Implementation of the Triple Bottom Line in the Plantation Sector Listed on the Indonesia Stock Exchange. *Budapest International Research and Critics Institute-Journal*, *5*(1), 3489-3497. DOI: https://doi.org/10.33258/birci.v5i1.4016.

Pandiangan, Saut Maruli Tua, Resmawa, Ira Ningrum, Simanjuntak, Owen De Pinto, Sitompul, Pretty Naomi, & Jefri, Riny. (2021). Effect of E-Satisfaction on Repurchase Intention in Shopee User Students. *Budapest International Research and Critics Institute-Journal*, *4*(4), 7785-7791. DOI: https://doi.org/10.33258/birci.v4i4.2697.

Pandiangan, Saut Maruli Tua, Rujiman, Rahmanta, Tanjung, Indra I., Darus, Muhammad Dhio, & Ismawan, Agus. (2018). An Analysis on the Factors which Influence Offering the Elderly as Workers in Medan. *IOSR Journal of Humanities and Social Science (IOSR-JHSS)*, *23*(10), 76-79. DOI: 10.9790/0837-2310087679. http://www.iosrjournals.org/iosr-jhss/papers/Vol.%2023%20Issue10/Version-8/K2310087679.pdf.

Pandiangan, Saut Maruli Tua. (2015). *Analisis Lama Mencari Kerja Bagi Tenaga Kerja Terdidik di Kota Medan*. Skripsi. Medan: Fakultas Ekonomi dan Bisnis, Program Studi Ekonomi Pembangunan, Universitas Sumatera Utara. https://www.academia.edu/52494724/Analisis_Lama_Mencari_Kerja_Bagi_Tenaga_Kerja_Terdidik_di_Kota_Medan.

Pandiangan, Saut Maruli Tua. (2018). *Analisis Faktor-faktor yang Mempengaruhi Penawaran Tenaga Kerja Lanjut Usia di Kota Medan*. Tesis. Medan: Fakultas Ekonomi dan Bisnis, Program Studi Ilmu Ekonomi, Universitas Sumatera Utara. http://repositori.usu.ac.id/bitstream/handle/123456789/10033/167018013.pdf?sequence=1&isAllowed=y.

Pandiangan, Saut Maruli Tua. (2022). Effect of Packaging Design on Repurchase Intention to the Politeknik IT&B Medan Using E-Commerce Applications. *Journal of Production, Operations Management and Economics (JPOME)*, *2*(1), 15–21. http://journal.hmjournals.com/index.php/JPOME/article/view/442.

Shah, M. M., et al. (2020). The Development Impact of PT. Medco E & P Malaka on Economic Aspects in East Aceh Regency. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)*. Volume 3, No 1, Page: 276-286

Sugiyono. (2013). *Metode Penelitian Pendidikan Pendekatan Kuantitatif, Kualitatif, dan R&D*. Bandung: Alfabeta.

Sukirno, S. (2013). *Makro Ekonomi: Teori Pengantar*. Rajagrafindo Persada.

Sukirno, S. (2016). *Mikro Ekonomi: Teori Pengantar*. Rajagrafindo Persada.

Tobing, Murniati, Afifuddin, Sya'ad, Rahmanta, Huber, Sandra Rouli, Pandiangan, Saut Maruli Tua, & Muda, Iskandar. (2018). An Analysis on the Factors Which Influence the Earnings of Micro and Small Business: Case at Blacksmith Metal Industry. *Academic Journal of Economic Studies, 5(*1), 17-23. https://www.ceeol.com/search/article-detail?id=754945.