



The Effect Of Inflation, Exchange Rate, And Profitability On Firm Value In The Industrials Sector Listed On The Indonesia Stock Exchange (2021–2024)

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How To Cite :

Ginting, H, V., Windyastuti. (2026). The Effect Of Inflation, Exchange Rate, And Profitability On Firm Value In The Industrials Sector Listed On The Indonesia Stock Exchange (2021–2024). EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis, 14(4). DOI: <https://doi.org/10.37676/ekombis.v14i4>

ARTICLE HISTORY

Received [09 February 2026]

Revised [19 October 2026]

Accepted [21 October 2026]

KEYWORDS

Firm Value; Inflation; Exchange Rate; Profitability; Industrials Sector; Indonesia Stock Exchange.

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ABSTRACT

This study aims to examine the effect of inflation, exchange rate, and profitability on firm value in industrials sector companies listed on the Indonesia Stock Exchange during the 2021–2024 period. The study employs a quantitative approach using secondary data obtained from annual financial statements and official macroeconomic publications. Firm value is measured using Price to Book Value (PBV), profitability is proxied by Return on Assets (ROA), inflation is measured using the Consumer Price Index, and exchange rate is represented by the Rupiah against the US Dollar. The data were analyzed using multiple linear regression after fulfilling classical assumption tests. The results show that profitability has a positive effect on firm value, while exchange rate movements have a negative effect on firm value. In contrast, inflation does not have an effect on firm value during the observation period. These findings indicate that internal financial performance plays a more important role in determining firm value, while exchange rate conditions remain a relevant external factor for industrials firms.

INTRODUCTION

Global trade instability triggered by the trade war between the United States and China since 2018 has created sustained economic pressure on trading partner countries, including Indonesia. The implementation of U.S. import tariffs under Section 301 has increased production costs, heightened global supply chain uncertainty, and significantly affected the Industrials sector, particularly companies with a high dependence on imported raw materials and capital goods. (Pangestuti And Tindangen, 2020). These pressures intensified following the 2024 review of Section 301 tariffs, which imposed new tariffs of up to 100% on several strategic industrials products, thereby prolonging uncertainty in international trade.

For Indonesia, these global trade dynamics have generated ambivalent effects. On the one hand, rising tariffs and fluctuations in international trade potentially suppress export performance and increase production costs for industrials sector firms. On the other hand, the phenomenon of trade diversion and the relocation of multinational companies' production bases to Southeast Asia have created opportunities for increased industrial activity and foreign direct investment inflows

(Setiawanta Et Al., 2020). Nevertheless, these opportunities have not been evenly translated into improved corporate performance and firm value, as companies continue to face external pressures in the form of exchange rate volatility and inflation.

Firm value represents investors' perceptions of a company's level of success as reflected in stock prices (Brigham and Houston, 2015), while profitability reflects a firm's ability to generate earnings that may influence firm value (Yusmaniarti Et Al., 2021). In capital market analysis, firm value is commonly measured using Price to Book Value (PBV) (Tobin, 1969), which indicates the extent to which the market values a company relative to its Book Value (Nabela, Fitriano And Hidayah, 2023). Consequently, changes in economic conditions and corporate financial performance are reflected in PBV movements in the capital market.

Fluctuations in the Rupiah exchange rate against the U.S. Dollar and domestic inflationary pressures serve as key mechanisms linking global trade dynamics to the financial performance of industrials sector firms. Inflation is a macroeconomic factor that reflects a general increase in the prices of goods and services (Saputra, Yudha and Ulnisa, 2024), which can influence economic conditions, investor behavior, and the performance of the financial sector. (Aldiansyah and Rahma, 2022; Sunjaya and Munandar, 2025). The industrials sector's high dependence on imported raw materials and capital goods means that currency depreciation and rising inflation increase production costs, compress profit margins, and ultimately affect corporate profitability. These conditions directly influence investor perceptions of corporate prospects, as reflected in firm value in the capital market (Audina Sopharia et al., n.d.; Oktaviani, Satriansyah and Widianingrum, 2024).

Empirically, the profitability performance of Indonesian industrials sector firms during the 2021–2024 period shows a relatively stable trend. However, this stability in profitability is not always accompanied by an increase in firm value. PBV data instead indicate a declining trend toward the end of the observation period, suggesting heightened investor caution in response to global economic uncertainty. In such circumstances, investor responses to external conditions are reflected in year-to-year shifts in PBV. Although internal financial indicators such as profitability exhibit certain developments, market valuations do not always move in the same direction, indicating that market assessments are influenced by broader considerations beyond firms' operational performance alone

This phenomenon is consistent with signaling theory, which posits that increases in earnings are not always interpreted by the market as positive signals when macroeconomic uncertainty is high (Pangestuti and Tindangen, 2020). Furthermore, this condition can also be explained by purchasing power parity (PPP) theory proposed by (Cassel, 1918). PPP theory states that exchange rates adjust to maintain equilibrium in purchasing power, such that differences in inflation rates between countries are reflected in exchange rate movements. In the context of the industrials sector, higher domestic inflation may lead to depreciation of the Rupiah, increasing the cost of imported raw materials and capital goods. Rising costs subsequently pressure profit margins, affect profitability, and ultimately influence investor perceptions of firm value in the capital market. Thus, PPP theory provides a theoretical foundation explaining that inflation and exchange rates are closely interconnected and have direct implications for firm value through cost structures, purchasing power, and macroeconomic risk.

Previous empirical studies also reveal inconsistent findings. (Oktaviani, Satriansyah And Widianingrum, 2024) Finds that profitability, measured by Return on Assets (ROA), has a positive effect on firm value. In contrast, (Setiawanta Et Al., 2020) report that profitability has no effect on

firm value, indicating that high earnings do not necessarily lead to higher market valuation when investors question the sustainability of profits amid exchange rate volatility and global economic uncertainty. In addition to internal factors, empirical evidence regarding external factors also varies. (Murjani, Mochamad and Adiyanto, 2023) Find that inflation has no effect on firm value, as increases in raw material prices cannot be fully passed on to product prices. Conversely, Sunjaya and Munandar (2025) report a positive and effect of inflation on firm value, particularly when firms are able to adjust selling prices and maintain profit margins during inflationary periods.

Regarding exchange rate effects, (Murjani, Mochamad And Adiyanto, 2023) show that exchange rates does not have effect on firm value. Meanwhile, (Setiawanta Et Al., 2020) find that exchange rates plays a moderating role in the relationship between financial performance and firm value, suggesting that their impact depends heavily on managerial strategies in responding to currency fluctuations. an international study by (Khan And Qureshi, 2023) further indicates that exchange rate appreciation can increase firm value by strengthening firms' financial positions, especially for import-oriented companies or those with effective hedging strategies.

Given the persistent inconsistencies in prior research regarding the effects of inflation, exchange rates, and profitability on firm value (Audina Sopharia et al., n.d.; Sunjaya and Munandar, 2025), further investigation is required to re-examine these relationships within a more contemporary context. This study focuses on the industrials sector, which is highly dependent on imported raw materials and is especially vulnerable to changes in global economic conditions. The 2021–2024 period is selected as it coincides with significant developments in international trade policy, including the review of Section 301 tariffs by the United States Trade Representative (USTR), as well as the consistent implementation of the industrials sector classification by the Indonesia Stock Exchange based on the IDX Industrial Classification (IDXIC). Therefore, this period is considered relevant for analyzing the influence of external and internal factors on firm value in Indonesia's industrials sector.

Accordingly, the study entitled "The Effect of Inflation, Exchange Rates, and Profitability on Firm Value in the industrials Sector Listed on the Indonesia Stock Exchange" is important to conduct. This study is expected to provide more comprehensive empirical evidence and contribute to the accounting and finance literature by examining the influence of external and internal factors on firm value in Indonesia, particularly in the context of ongoing global trade tensions and evolving international tariff policies, which continue to persist up to the present and are likely to remain relevant in the future. Therefore, the findings of this study may serve as a reference for future research, investors, and policymakers in understanding firm value dynamics under prolonged global economic uncertainty.

LITERATURE REVIEW

Signaling Theory

Signaling theory explains how parties with superior information convey signals to reduce information asymmetry between management and investors (Spence, 1973). In capital markets, financial performance indicators disclosed in financial statements function as signals that help investors evaluate firm prospects and risk. In this study, profitability, measured by Return on Assets (ROA), represents an important signal of managerial efficiency in utilizing company assets to generate earnings. Higher profitability is generally interpreted as a positive signal that reflects strong operational performance and sustainability, which may increase investor confidence and firm value. Conversely, declining profitability may be perceived as a negative signal, leading to lower market valuation. However, during periods of macroeconomic uncertainty, such as inflationary pressure and exchange rate volatility, the credibility of profitability signals may weaken as investors consider external risks that could affect future earnings.

Purchasing Power Parity Theory

Purchasing power parity (PPP) theory explains the relationship between inflation and exchange rate movements by suggesting that exchange rates adjust to equalize purchasing power across countries (Cassel, 1918). Differences in inflation rates between countries lead to currency depreciation or appreciation in order to maintain purchasing power parity.

For industrials sector companies, inflation and exchange rate movements have direct implications for operating costs and financial performance. Rising inflation increases production costs, while depreciation of the domestic currency raises the cost of imported raw materials and capital goods. These conditions may reduce profitability and increase uncertainty, which can negatively influence investor perceptions and firm value. Therefore, PPP theory provides a relevant theoretical foundation for examining how inflation and exchange rate fluctuations affect firm value in industrials firms.

Firm Value

Firm value reflects the market's assessment of a company's performance, prospects, and risk profile. In capital markets, firm value indicates how investors evaluate a firm's ability to generate sustainable returns and maximize shareholder wealth (Brigham and Houston, 2015). A higher firm value generally reflects stronger investor confidence in managerial performance and future business prospects.

In this study, firm value is measured using price to book value (PBV), which compares the market value of equity with its book value. PBV is widely used as a proxy for firm value because it captures market perception relative to accounting value (Fama and French, 1992; Nabela, Fitriano and Hidayah, 2023). A PBV greater than one indicates that the market values the firm above its recorded net assets, suggesting positive expectations regarding growth and profitability.

For industrials sector companies, firm value is particularly sensitive to economic conditions due to their capital-intensive nature and dependence on imported raw materials. Changes in costs and profitability caused by macroeconomic fluctuations are quickly reflected in stock prices, making PBV an appropriate indicator of firm value in this sector (Pangestuti and Tindangen, 2020).

Inflation

Inflation refers to a sustained increase in the general price level of goods and services, which leads to a decline in purchasing power. Inflation represents an external macroeconomic factor that affects production costs, pricing strategies, and overall business stability.

For industrials sector firms, inflation has direct implications for operational efficiency. Rising inflation increases the cost of raw materials, energy, and labor (Fadillah, Tiara and Elviani, 2021), which may compress profit margins if firms are unable to adjust selling prices accordingly. In capital-intensive industries, firms often have limited flexibility in reducing costs, making them more vulnerable to inflationary pressure (sukma prasitadewi and wijana asmara putra, 2020).

From an investor perspective, high inflation increases economic uncertainty and risk perception, which may reduce confidence in future corporate performance (Susanti et al., 2024). Consequently, inflation can influence firm value both through cost pressures and through changes in market expectations (susanti et al., 2024).

Exchange Rate

The exchange rate represents the value of one currency relative to another (Krugman & Obstfeld, 2009). In this study, the exchange rate refers to the Rupiah against the US Dollar, which plays a critical role in international trade and corporate transactions (krugman and obstfeld, 2009).

industrials sector companies in Indonesia are highly exposed to exchange rate movements due to their reliance on imported raw materials and capital goods. Depreciation of the Rupiah increases import costs, raises production expenses, and may reduce profitability. Exchange rate volatility also increases business uncertainty, which can negatively affect investor perception and firm value (murjiani, mochamad and adiyanto, 2023).

Empirical evidence on the relationship between exchange rate and firm value shows mixed results. While several studies report a negative impact due to higher costs and financial risk, others find insignificant effects when firms are able to manage exchange rate exposure effectively. These inconsistencies highlight the importance of examining exchange rate effects within specific sectoral contexts (pangestuti and tindakanen, 2020).

Profitability

Profitability reflects a firm's ability to generate earnings from its assets and operations (Sukma Prasitadewi and Wijana Asmara Putra, 2020). In this study, profitability is measured using Return on Assets (ROA), which indicates how efficiently management utilizes total assets to produce net income. (brigham and houston, 2015).

ROA is considered a key indicator of managerial efficiency (Yusmaniart et al., 2021) because it directly links profitability to asset utilization. Higher ROA suggests better operational performance and stronger financial health, which are generally interpreted as positive signals by investor (oktaviani, satriansyah and widianingrum, 2024).

For industrials sector companies, profitability is a crucial internal factor that may help firms withstand external economic pressures such as inflation and exchange rate volatility. Firms with strong profitability are better positioned to absorb rising costs and maintain performance stability. In capital markets, profitability also functions as a signal that influences investor confidence and firm value (setiawanta et al., 2020).

The Effect Of Inflation On Firm Value

Inflation represents a sustained increase in the general price level that affects production costs, purchasing power, and business stability. For industrials sector companies, inflation has a direct impact on operating costs due to higher prices of raw materials, energy, and labor. Because industrials firms are generally capital-intensive and have limited cost flexibility, rising inflation may compress profit margins and weaken financial performance.

From a market perspective, high inflation increases economic uncertainty and risk perception, which may reduce investor confidence. Investors tend to respond cautiously to inflationary environments, particularly when firms are unable to fully transfer cost increases to selling prices. As a result, inflationary pressure may be reflected in lower market valuation and declining firm value. Previous empirical studies report that inflation tends to negatively affect firm value due to increased costs and uncertainty, although the magnitude of the effect may vary across sectors and periods. (pangestuti and tindakanen, 2020).

H1: Inflation has a negative effect on firm value in industrials sector companies listed on the Indonesia Stock Exchange.

The Effect Of Exchange Rate On Firm Value

Exchange rate movements influence firms through changes in import costs and financial uncertainty. For industrials sector companies in Indonesia, the exchange rate of the Rupiah against the US Dollar is particularly important due to the high dependence on imported raw materials and capital goods. Depreciation of the Rupiah increases import costs, raises production expenses, and may reduce profitability.

Exchange rate volatility also increases uncertainty regarding future cash flows and business sustainability, which can negatively affect investor perception. From a capital market perspective, higher exchange rate risk may lead investors to reassess firm prospects, resulting in

changes in firm value. Empirical findings regarding the effect of exchange rates on firm value remain mixed. Some studies find a negative effect due to rising costs and financial risk, while others report insignificant effects when firms are able to manage exchange rate exposure (murjiani, mochamad and adiyanto, 2023)

H2: Exchange rate has a negative effect on firm value in industrials sector companies listed on the Indonesia Stock Exchange.

The Effect Of Profitability On Firm Value

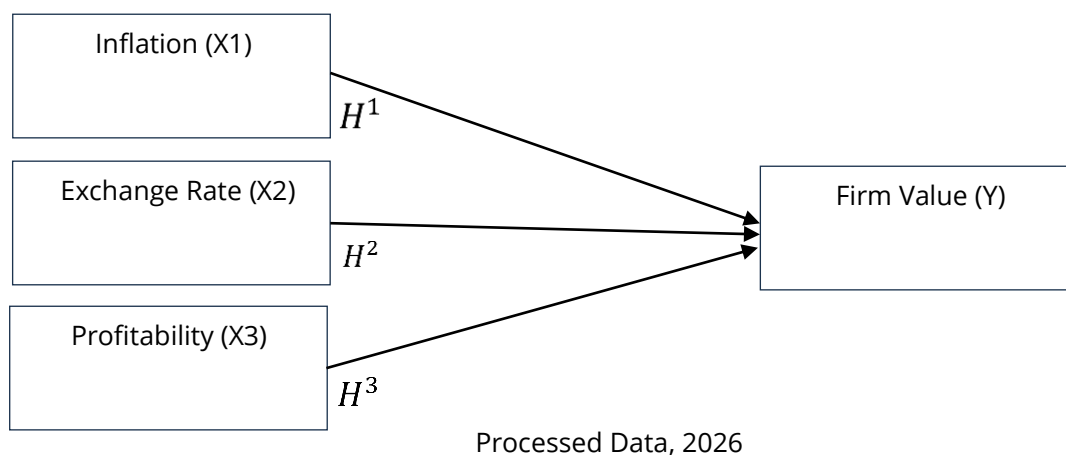
Profitability reflects a firm's ability to generate earnings from its assets and operations. In this study, profitability is measured using Return on Assets (ROA), which indicates managerial efficiency in utilizing total assets to generate profit. From a signaling perspective, higher profitability provides a positive signal to investors regarding firm performance and sustainability.

Firms with strong profitability are generally perceived as having better growth prospects and lower financial risk, which increases investor confidence and market valuation. Empirical studies show that profitability tends to have a positive effect on firm value, as investors reward firms that consistently generate earnings (sukma prasitadewi and wijana asmara putra, 2020; oktaviani, satriansyah and widianingrum, 2024). However, during periods of macroeconomic uncertainty, profitability signals may be interpreted cautiously if future earnings are perceived as unstable.

H3: Profitability has a positive effect on firm value in industrials sector companies listed on the Indonesia Stock Exchange.

Referring to the theoretical discussion and hypothesis development above, the research framework of this study is structured as follows:

Figure 1. Conceptual Framework



METHODS

This study employs a quantitative research design to examine the effect of inflation, exchange rate, and profitability on firm value among industrials sector companies listed on the Indonesia Stock Exchange during the 2021–2024 period. This research design is selected to test causal relationships between macroeconomic factors, firm performance, and market valuation using numerical data and statistical analysis. To ensure clarity and consistency in variable measurement, each research variable is operationally defined based on its conceptual meaning and measurement indicators.

Firm value is measured using Price to Book Value (PBV), which reflects market perception relative to the firm's book value. Profitability is measured using Return on Assets (ROA),

representing the efficiency of asset utilization in generating earnings. Inflation is measured using the annual Consumer Price Index (CPI), while the exchange rate is measured using the annual average Rupiah to US Dollar exchange rate published by Bank Indonesia. The exchange rate variable is transformed into its natural logarithm form (Ln) to stabilize data variance. The detailed operational definitions and measurement methods of all variables used in this study are presented in a separate measurement table.

The population of this study consists of 69 industrials sector companies listed on the Indonesia Stock Exchange during the 2021–2024 period. A purposive sampling technique is applied. To obtain firms that align with the research objectives. From the initial population, 15 companies were excluded due to changes in sector classification into the industrials sector during the middle of the observation period, 3 companies were excluded due to reclassification from the industrials sector to other sectors, 28 companies were excluded for not reporting positive earnings consecutively during the observation period, 2 companies were excluded due to inconsistency in publishing annual financial statements, and 3 companies were excluded due to delisting during the study period. Based on these criteria, the final sample consists of 18 industrials sector companies.

With a four-year observation period, this study obtained 72 firm-year observations (18 companies × 4 years). To improve data normality and enhance model reliability, 18 outlier observations were excluded from the dataset. Consequently, the final number of observations used in the analysis is 54 firm-year observations. The collected data are analyzed using multiple linear regression analysis to examine the effect of inflation, exchange rate, and profitability on firm value. This method is considered appropriate for assessing the simultaneous influence of multiple independent variables on a dependent variable and enables reliable and replicable empirical analysis.

Table 1. Operational Definition And Measurement Of Research Variables

Variable	Definition	Measurement	Source
Firm Value (Y)	Firm Value Reflects Market Perception Of A Company's Performance And Future Prospects, Representing How Investors Value The Firm Relative To Its Accounting Value.	Price To Book Value (PBV) $PBV = \frac{\text{Harga Saham}}{\text{Nilai Buku per Saham}}$ $\text{Nilai Buku Per Saham} = \frac{\text{Total Ekuitas}}{\text{Jumlah Saham Beredar}}$	Oktaviani Et Al. (2024); Pangestuti & Tindakan (2020); Fama & French (1992)
Inflation (X1)	Inflation Refers To A Sustained Increase In The General Price Level That Reduces Purchasing Power And Increases Production Costs, Which May Influence Firm Performance And Firm Value.	Consumer Price Index (CPI) $\text{Inflation}_t = \frac{CPI_t - CPI_{t-1}}{CPI_{t-1}} \times 100\%$	Murjiani & Adiyanto (2022); Prasitadewi & Putra (2020)
Exchange Rate (X2)	Exchange Rate Represents The Value Of The Rupiah Against The US Dollar, Influencing Import Costs, Operational Expenses, And Financial Risk, Especially For Firms Engaged In International Trade.	Rupiah/USD Exchange Rate = Annual Average (Ln)	Setiawanta Et Al. (2020); Pangestuti & Tindakan (2020)
Profitability (X3)	Profitability Reflects A Firm's Ability To Generate Earnings	Return On Assets (ROA)	Oktaviani Et Al. (2024);

	From Its Assets And Indicates Managerial Efficiency In Utilizing Company Resources.	$ROA = \frac{\text{Net Income}}{\text{Total Asset}}$	Prasitadewi & Putra (2020); Brigham & Houston (2015)
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RESULTS

Descriptive Statistical Analysis

Table 2. Descriptive Statistics Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Inflation	54	-.526	1.947	.25637	.990411
Exchange Rate	54	9.567	9.632	9.60385	.023398
Profitability	54	.008	.300	.09950	.061046
Firm Value	54	-1.12	1.54	.0752	.70882
Valid N (Listwise)	54				

Processed Data Using SPSS Version 27 (2026)

Descriptive statistics are used to describe the characteristics of the research data after outlier elimination (Ghozali, 2021). The final dataset consists of 54 firm-year observations from industrials sector companies listed on the Indonesia Stock Exchange during the 2021–2024 period.

Inflation (X1) has a mean value of 0.256 with a standard deviation of 0.990, indicating noticeable inflation fluctuations during the observation period. The exchange rate (X2), measured as the natural logarithm of the Rupiah to US Dollar exchange rate, shows a mean of 9.604 and a low standard deviation of 0.023, suggesting relatively stable exchange rate movements.

Profitability (X3), proxied by ROA, records an average value of 0.100, indicating that industrials sector companies were generally able to generate positive returns from their assets. Firm value (Y), measured using the natural logarithm of PBV, has a mean of 0.075 with a standard deviation of 0.709, reflecting variation in market valuation among firms. Overall, the descriptive statistics indicate sufficient data variation to support further regression analysis.

Classical Assumption Test

Classical assumption tests covering normality, multicollinearity, heteroscedasticity, and autocorrelation are carried out prior to regression estimation to verify model reliability. (Ghozali, 2021)

Table 3. Classical Assumption Test

One-Sample Kolmogorov-Smirnov Test			Unstandardized Residual
N			54
Normal Parameters ^a , B	Mean		.0835369
	Std. Deviation		.39832916
Most Extreme Differences	Absolute		.109
	Positive		.109
	Negative		-.047
Test Statistic			.109
Asymp. Sig. (2-Tailed) C			.164

Monte Carlo Sig. (2-Tailed)D	Sig.		.115
	99% Confidence Interval	Lower Bound	.106
		Upper Bound	.123
A. Test Distribution Is Normal.			
B. Calculated From Data.			
C. Lilliefors Significance Correction.			
D. Lilliefors' Method Based On 10000 Monte Carlo Samples With Starting Seed 926214481.			

Processed Data Using SPSS Version 27 (2026)

The normality of the data was tested using the One-Sample Kolmogorov-Smirnov test on the unstandardized residuals. The results show an Asymp. Sig. (2-tailed) value of 0.164, which is greater than 0.05. This indicates that the residuals are normally distributed, and therefore the normality assumption is satisfied.

Table 4. Multicollinearity Test Results

Table 1: Multicollinearity Test Results								
Coefficients ^a								Note
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1 (Constant)	59.499	22.755		2.615	.012			
Inflation	-.027	.055	-.038	-.485	.630	.983	1.017	No Multicollinearity Problem
Exchange Rate	-6.289	2.371	-.208	-2.653	.011	.961	1.041	No Multicollinearity Problem
Profitability	9.835	.902	.847	10.909	.000	.976	1.025	No Multicollinearity Problem

A. Dependent Variable: *Firm Value*

A. Dependent Variable: *Firm Value*

Processed Data Using SPSS Version 27 (2026)

The multicollinearity test results show that all independent variables have tolerance values greater than 0.10 and VIF values below 10. Inflation (X1) has a tolerance value of 0.983 and a VIF of 1.017, the exchange rate (X2) has a tolerance value of 0.961 and a VIF of 1.041, and profitability (X3) has a tolerance value of 0.976 and a VIF of 1.025. These results indicate that no multicollinearity problem exists among the independent variables.

Table 5. Heteroscedasticity Test Results

Table 3. Heteroscedasticity Test Results

Coefficients ^a							
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Note
		B	Std. Error	Beta			
1	(Constant)	.653	15.034		.043	.966	
	Inflation	.009	.037	.034	.241	.811	No Heteroscedasticity Problem
	Exchange Rate	-.041	1.566	-.004	-.026	.979	No Heteroscedasticity Problem
	Profitability	.500	.596	.119	.840	.405	No Heteroscedasticity Problem

A. Dependent Variable: ABS_RES

A. Dependent Variable: *ABS_RES*

Processed Data Using SPSS Version 27 (2026)

The heteroscedasticity test results show that all independent variables have significance values greater than 0.05. Inflation (X1) has a significance value of 0.811, the exchange rate (X2) has a significance value of 0.979, and profitability (X3) has a significance value of 0.405. These results indicate that no heteroscedasticity problem is present in the regression model.

Table 6. Autocorrelation Test Results

Model Summary ^b						
Model	R	R Square	Adjusted R Square	Std. Error Of The Estimate	Durbin-Watson	Note
1	.840a	.706	.688	.39580	2.006	No Autocorrelation Problem
A. Predictors: (Constant), Inflation, Exchange Rate, Profitability						
B. Dependent Variable: <i>Firm Value</i>						

Processed Data Using SPSS Version 27 (2026)

The autocorrelation test was conducted using the Durbin-Watson statistic. The results show a Durbin-Watson value of 2.006, which falls within the acceptable range $1.680 < 2.006 < 2.320$ ($D_u < D_w < 4 - D_u$). This indicates that no autocorrelation problem is present in the regression model.

Table 7. Multiple Linear Regression Test Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	59.499	22.755		2.615	.012
	Inflation	-.027	.055	-.038	-.485	.630
	Exchange Rate	-6.289	2.371	-.208	-2.653	.011
	Profitability	9.835	.902	.847	10.909	.000
A. Dependent Variable: <i>Firm Value</i>						

Processed Data Using SPSS Version 27 (2026)

The results were then entered into a multiple linear regression equation to obtain the following equation:

$$\text{Firm Value} = 59.499 - 0.027\text{Inflation} - 6.289\text{Exchange Rate} + 9.835\text{Profitability} + E$$

The results of the multiple linear regression analysis indicate that inflation (X1) has no effect on firm value, as shown by a significance value of $0.630 > 0.05$ (exceeds the significance level of ≤ 0.05). The exchange rate (X2) has a negative effect on firm value, with a coefficient of -6.289 and a significance value of $0.011 < 0.05$ (exceeds the significance level of ≤ 0.05), indicating that an increase in the exchange rate reduces firm value. Profitability (X3) has a positive effect on firm value, with a coefficient of 9.835 and a significance value of $0.000 < 0.05$ (exceeds the significance level of ≤ 0.05).

Hypothesis Testing

Table 8. Simultaneous Test Results (F Test)

Anova ^a						
Model	Sum Of Squares	Df	Mean Square	F	Sig.	
1	Regression	18.795	3	6.265	39.992	.000b
	Residual	7.833	50	.157		
	Total	26.628	53			
A. Dependent Variable: <i>Firm Value</i>						
B. Predictors: (Constant), Inflation, Exchange Rate, Profitability						

Processed Data Using SPSS Version 27 (2026)

The simultaneous test results show an f value of 39.992 with a significance value of $0.000 < 0.05$ (exceeds the significance level of ≤ 0.05). this indicates that inflation, exchange rate, and profitability simultaneously have a effect on firm value.reporting research results

Table 9. Results Of The Coefficient Of Determination Test (R^2)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error Of The Estimate
1	.840a	.706	.688	.39580

A. Predictors: (Constant), Inflation, Exchange Rate, Profitability

Processed Data Using SPSS Version 27 (2026)

The regression model shows an R value of 0.840, indicating a strong relationship between the independent variables and firm value. The adjusted R square value of 0.688 indicates that 68.8% of the variation in firm value can be explained by inflation, exchange rate, and profitability, while the remaining 31.2% is explained by other factors outside the model.

Table 10. Partial Test (T-Test)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	59.499	22.755		2.615	.012
	Inflation	-.027	.055	-.038	-.485	.630
	Exchange Rate	-6.289	2.371	-.208	-2.653	.011
	Profitability	9.835	.902	.847	10.909	.000

A. Dependent Variable: *Firm Value*

Processed Data Using SPSS Version 27 (2026)

The partial test results show that inflation (X_1) does not have an effect on firm value, as indicated by a significance value of $0.630 > 0.05$ (exceeds the significance level of ≤ 0.05). The exchange rate (X_2) has a negative effect on firm value, with a coefficient of -6.289 and a significance value of $0.011 < 0.05$ (exceeds the significance level of ≤ 0.05). Profitability (X_3) has a positive effect on firm value, with a coefficient of 9.835 and a significance value of $0.000 < 0.05$ (exceeds the significance level of ≤ 0.05).

DISCUSSION

This study examines the relationship between inflation, exchange rate, and profitability and firm value in industrials sector companies listed on the Indonesia Stock Exchange during the 2021–2024 period. The discussion section elaborates on the empirical findings by relating them to the research objectives and relevant literature, while highlighting the implications of both macroeconomic and firm-specific factors in shaping firm value within the industrials sector. The interpretation focuses on explaining the observed relationships without introducing new variables or analytical results beyond those presented in the previous section.

The Influence Of Inflation On Firm Value

The results indicate that inflation does not affect firm value in the industrials sector during the observation period. Although inflation is generally associated with rising production costs and declining purchasing power, these effects are not reflected in market valuation during the observation period. This condition suggests that industrials sector firms were able to manage inflationary pressures through operational efficiency, cost control, or pricing adjustments, thereby limiting its impact on firm value. As a result, investors did not consider

inflation as a primary factor when assessing firm value. This finding is consistent with (Murjiani, Mochamad and Adiyanto, 2023; Susanti et al., 2024) who report that inflation does not affect firm value when firms are capable of maintaining stable operational performance.

Thus, inflation does not affect the firm value of industrials companies listed on the Indonesia Stock Exchange; therefore, Hypothesis (H1) is rejected.

The Influence Of Exchange Rate On Firm Value

The results show that exchange rate movements have a negative effect on firm value in the industrials sector. Exchange rate depreciation increases the cost of imported raw materials and capital goods, leading to higher production costs and pressure on company performance. These increased costs reduce profitability and are perceived negatively by investors, which ultimately lowers firm value. This finding indicates that exchange rate volatility represents an important external factor influencing corporate valuation, particularly for industrials firms that rely heavily on imported inputs. The result is in line with (Pangestuti and Tindangen, 2020), who find that exchange rate depreciation negatively affects firm value in import-dependent industries.

Based on these results, it can be concluded that the exchange rate has a negative effect on the firm value of industrials companies listed on the Indonesia Stock Exchange; therefore, the second hypothesis (H2) is accepted.

The Influence Of Profitability On Firm Value

The results demonstrate that profitability has a positive effect on firm value in the industrials sector. Profitability reflects the firm's ability to utilize its assets efficiently to generate earnings, which signals strong financial performance to investors. Firms with higher profitability are viewed as having better operational capability and future prospects, leading to increased investor confidence and higher market valuation. This finding supports the signaling theory and is consistent with previous studies by (Sukma Prasitadewi and Wijana Asmara Putra, 2020; Oktaviani, Satriansyah and Widianingrum, 2024), which show that profitability positively influences firm value.

Based on these results, it can be concluded that profitability has a positive effect on the firm value of industrials sector companies listed on the Indonesia Stock Exchange; therefore, the third hypothesis (H3) is accepted.

CONCLUSION

This study aims to examine the effects of inflation, exchange rates, and Return on Assets (ROA) on firm value in the industrials sector companies listed on the Indonesia Stock Exchange during the period 2021–2024. Based on the results of data processing and multiple linear regression analysis, several conclusions can be drawn as follows.

First, inflation does not affect firm value in the industrials sector during the study period. This indicates that industrials sector companies were able to manage inflationary pressures through cost efficiency and operational strategies, thereby preventing inflation from influencing firm value. Second, the exchange rate has a negative effect on firm value. This result indicates that the depreciation of the Indonesian Rupiah against foreign currencies increases the cost of imported raw materials and capital goods used by industrials sector companies. Such conditions reduce operational efficiency and negatively affect investor perceptions regarding the firms' future prospects, which ultimately leads to a decline in firm value.

Third, Return on Assets (ROA) has a positive effect on firm value. This finding shows that companies with higher profitability are able to provide positive signals to investors regarding their ability to manage assets efficiently and generate profits. An increase in ROA reflects better managerial efficiency, which enhances investor confidence and contributes to an increase in firm value. Among all independent variables examined in this study, ROA is identified as the variable with the strongest influence on firm value.

LIMITATION

This study has several limitations that should be acknowledged and considered when interpreting the findings. First, the analysis is limited to industrials sector companies listed on the Indonesia Stock Exchange during the 2021–2024 period. As a result, the findings reflect the characteristics of this specific sector and period, and may not be fully generalizable to other sectors with different cost structures, market dynamics, or levels of exposure to macroeconomic conditions. This sectoral focus may influence the extent to which inflation and exchange rate movements are reflected in firm value.

Second, this study relies on secondary data obtained from annual financial statements and official macroeconomic publications. While these data sources are widely used and reliable, they may not fully capture firm-specific strategies, managerial decisions, or risk management practices related to inflation and exchange rate exposure. Consequently, the observed relationships may reflect aggregate effects rather than firm-level behavioral responses.

Third, the study includes a limited set of independent variables, namely inflation, exchange rate, and profitability. Other factors such as interest rates, firm size, capital structure, or corporate governance were not incorporated into the model. The exclusion of these variables may affect the explanatory power of the regression model and partially explain variations in firm value that are not captured in this study.

Despite these limitations, the study provides meaningful insights into the relationship between macroeconomic conditions, internal financial performance, and firm value in the industrials sector. Future research may address these limitations by expanding the observation period, including additional explanatory variables, or examining different industry classifications to obtain a more comprehensive understanding of firm value determinants.

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