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Exploring the Dynamic Relationship: How Exchange Rates Drive CompanyValuation through Foreign Portfolio Investments

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ABSTAK/ABSTRACT

This study aims to analyze the influence of economic growth and exchange rates on firm value with foreign portfolio investment as an intervening variable at PT Bank Central Asia Tbk. for the period 2011-2020. Quarterly secondary data from 2011-2020 were utilized. The data were then processed using EViews 11 Version analysis tool. The analysis employed descriptive statistics, linear tests, and classical assumption tests. Hypothesis testing was conducted using Partial Test (T-Test). The results of the partial test (T-Test) indicate that economic growth, exchange rates, and foreign portfolio investment insignificantly influence firm value. However, regarding the intervening variable, foreign portfolio investment does not mediate the influence of economic growth (GDP) on firm value, either directly or indirectly, and foreign portfolio investment also does not directly mediate the influence of exchange rates on firm value. Nonetheless, exchange rates directly affect foreign portfolio investment, thus

		reinforcing the relationship between exchange rates and firm value. Therefore, the fifth hypothesis is accepted.

INTRODUCTION

Indonesia is one of the developing countries in the world. Economic growth is a crucial priority for any country. The economic growth of a nation reflects the increase in physical products and services over a specific period. Therefore, an increase in economic growth will lead to growth across various sectors, including industries and others in Indonesia.

The increase in products and services is closely tied to the improved performance of companies in producing goods and services demanded by consumers, both domestically and internationally. Increased company revenue can contribute positively to economic growth in Indonesia. The better a company performs in production, the higher its value. Company value can be measured by examining profitability levels over a certain period.

Macroeconomic factors are crucial in influencing company performance and value. Several macroeconomic variables often cause declines or financial performance difficulties, impacting a company's value. These factors include low economic growth, high-interest rates, high inflation, and volatile exchange rates.

Corporate financial management aims to optimize company value. Stock prices serve as crucial indicators in assessing company value. One way to assess company value is by using the Price Earnings Ratio (PER), which reflects the relationship between company earnings and its stock price. PER also indicates how much money investors must spend for each unit of company earnings. PER is calculated by dividing the company's stock price by its earnings per share (EPS). The higher a company's earnings growth, the higher its PER.

Investment aims to generate profits through allocating funds over a specific period to achieve dividends or capital gains. One common form of investment by foreign investors is portfolio investment, which includes short-term investments in financial instruments such as stocks and bonds. This type of investment is highly liquid due to numerous transactions, leading to high stock trading activities. Although investors do not have direct control or ownership of company assets in foreign portfolio investments, it is a consideration in assessing company value as it has the potential to impact revenue growth.

Many researchers believe that factors such as Gross Domestic Product (GDP) and high fluctuations in exchange rates can reduce a company's financial management capabilities, leading to difficulties and negative impacts on company performance, ultimately potentially affecting the company's value directly.

Research conducted by Kewal (2012) concluded a negative relationship between exchange rates and stock prices. A decrease in the exchange rate of the rupiah encourages investors to invest, increasing demand for stocks and resulting in higher stock prices. Hence, there is an inverse relationship between the exchange rate of the rupiah and stock prices; the stronger the rupiah exchange rate against the USD, the higher the stock prices, and vice versa.

The research findings by De Jong and An Hoiten (2014) indicate a positive correlation between foreign investment and company performance. Further research by Napaporn Likitwongkajon and Chaiporn Vithessonthi (2020) shows that foreign investment is negatively associated with income growth but does not affect company efficiency.
A study by Soedarsa and Arika (2016) states that inflation, GDP growth, and leverage have no impact on stock prices. However, company size and profitability positively influence the stock prices of property companies listed on the Indonesia Stock Exchange.
Macro-economic information serves as a basis for management and shareholders to formulate company activities and policies. The COVID-19 pandemic that swept the world in 2020 directly impacted Indonesia's economy, especially macroeconomic indicators.Therefore, changes in these macroeconomic indicators potentially affect companies in Indonesia, which is the main reason for this research. Several macroeconomic factors to be examined in this research include exchange rates and economic growth. Exchange rates affect stock price volatility, while Gross Domestic Product (GDP) is a factor influencing changes in stock prices. GDP estimation determines economic development. Economic growth is supported by various sectors contributing to Indonesia's economic growth.

LITERATURE REVIW

Company Value

Harmono (2014: 233), the value of a company is the performance of the company reflected by the stock price determined by the demand and supply of the capital market, which reflects the public's assessment of the company's performance.
Maya Septiyuliana (2016), the value of a company is often associated with its stock price. The higher the stock price, the higher the company's value. Therefore, maximizing the value of the company also means maximizing the prosperity of shareholders, which is the company's goal.
Agus Sartono (2016: 9), the value of a company is the goal of maximizing shareholder wealth by maximizing the present value of all benefits. Shareholder wealth will increase if the stock price held increases.
From these definitions, it can be concluded that the value of a company is closely related to its stock price. If the company's stock price increases, the value of the company will also increase.

Measuring Company Value

In assessing the value of a company, it can be done by observing its stock price in the market. This process allows the formation of the company's stock price, which serves as an indicator of the company's actual performance assessed by the public (Harmono, 2014: 50). The value of a company is a crucial factor in attracting investor interest as part of the evolving

business activities in line with the development of the company (Azhar, Ngatno, & Wijayanto: 2018). Another opinion suggests that the value of a company is the result of public assessment of the company's performance reflected in the stock price in the market (Rodiyah & Sulasmiyati:2018).

There are several methods to measure a company's value, one of which is by using Tobin's Q ratio. A high Tobin's Q value indicates good growth prospects for the company, measured by comparing the market value of the company's assets with its book value. The higher the market value of the company's assets, the greater the interest of investors to own the company (Fransiskus Randa & S. Ariyanto Solon: 2012). Tobin's Q is calculated by comparing the market value of debt and equity with the total value of the company's production assets. This allows an evaluation of the potential market value of the company (Bambang, Sudiyatno & Elen Puspitasari: 2011).

The tool used to measure the value of a company in this study is Tobin's Q. Analysis of Tobin's Q ratio includes all elements of debt and equity of the company, and involves all company assets. By involving all assets, the company provides information to both shareholders and creditors, as the operational funding source of the company comes from both parties. Therefore, this ratio is considered the most accurate information indicator (Randa and Solon: 2012).

Exchange Rate

According to Sadono Sukirno (2012:397), exchange rate can be defined as the amount of domestic currency needed, which is how many rupiahs are required to obtain one unit of foreign currency. Debra C. Jeter (2012:632) states that the exchange rate is the ratio between one unit of currency and the amount of another currency exchanged for that unit at a particular time. Mahyus Ekananda (2014:168) suggests that exchange rate is the price of a currency relative to another country's currency. Exchange rates play a crucial role in spending decisions as they allow us to translate prices from various countries into a common language. Based on these definitions, the author understands that the exchange rate is the value or price of one currency against another country's currency, where the values or prices of both can be compared.

Foreign Portfolio Investment

Investment is the allocation of capital by companies to purchase equipment and production facilities in order to increase the production capacity of goods and services in the economy. The addition of capital by investors has the potential to increase the production of goods and services in the future for the Indonesian economy. Jogiyanto (2013) explains that investment involves deferring current consumption to be used in more efficient production in the future. The inflow of foreign investment into a country can be divided into two types, namely direct and indirect investment. Indirect foreign investment, known as portfolio investment, involves the purchase of transferable shares. Portfolio investment can provide temporary boosts to economic growth and development (Jhingan, 2012).

Portfolio investment involves the purchase of financial assets such as bonds, company stocks, and government bonds. In terms of the balance of payments, portfolio investment includes foreign financial assets. Foreign portfolio investment can affect the value of a company through two main channels. Firstly, foreign investment can expand a company's market share, potentially increasing revenue (Kylaheiko et al., 2011). Secondly, foreign investment can enhance a company's efficiency, thus improving profitability. For developing countries, an increase in foreign capital inflow can accelerate economic growth (Broto et al.,2011).

Foreign Portfolio Investment entering a country has benefits, including: (1) improving domestic market efficiency and liquidity in the capital market; (2) introducing advanced instruments and technologies in portfolio management that can enhance the domestic capital market; and (3) strengthening the domestic capital market and enhancing the role of monetary authorities in the country (Messayu Eliza,2013).

RESEARCH METHODS

The research method employed in this study is quantitative research, which involves collecting, organizing, processing, and analyzing data in numerical form to obtain in-depth insights for further analysis. According to Sugiyono (2013:3), quantitative research methodology is grounded in positivism philosophy and is used to examine specific populations or samples. The approach utilized in this research is the Associative approach, as defined by Sugiyono (2013:57), which is a research method that investigates the relationship between two or more variables. Thus, it can be said that this study employs an Associative quantitative research method by comparing the variables (X) Economic Growth and Exchange Rate to the variable (Y) company value with Foreign Portfolio Investment as an intervening variable.

The population in this study consists of companies listed on the Indonesia Stock Exchange, with the sample taken from companies with the highest profitability in 2020 listed on the stock exchange, with Bank Central Asia Tbk being selected. Data was collected quarterly within the sampling period from 2011 to 2020.

Statistical Descriptive Analysis is a statistical method used to analyze data by describing or depicting the collected data as it is without intending to draw conclusions applicable to the general population or make generalizations. Descriptive statistics provide an overview of data in terms of mean value, standard deviation, minimum, and maximum values. Multiple Linear Regression Analysis is conducted to determine the combined influence of the variables studied, namely the independent variables (X) and the dependent variable (Y). The Coefficient of Determination Analysis is utilized to assess how much variation in the dependent variable can be explained by all independent variables in the study, observed through the Adjusted R2 value.

RESULTS AND DISCUSSION

Tabel 1. Economic Growth of Indonesia (2011-2020)

Year	Quarter	GDP Growth (%)
2011-2016	Q1	0.64 to -0.36
	Q2	3.86 to 4.01
	Q3	3.61 to 3.13
	Q4	-2.18 to -1.81
2017-2020	Q1	-0.30 to -2.41
	Q2	4.01 to -4.19
	Q3	3.19 to -5.05
	Q4	-1.70 to -0.42

Overall, the data analysis indicates increased volatility in economic growth from the first to the second period. Various external or internal factors, including policy shifts, global market conditions, or unexpected significant events, may trigger such fluctuations. The consistency of negative trends in the fourth quarter across both periods might indicate recurring challenges or structural issues affecting the economy at year-end. The striking changes between the two periods, especially in the second and third quarters, highlight the importance of understanding broader economic dynamics, which can dramatically affect GDP growth.

Tabel 2. Exchange Rate (2011-2020)

Year	Quarter	Exchange Rate (IDR/USD)
2011-2016	Q1	8709 to 13276
	Q2	8597 to 13180
	Q3	8823 to 12998
	Q4	9068 to 13436
2017-2020	Q1	9180 to 16336
	Q2	9480 to 14302
	Q3	9588 to 14918
	Q4	9670 to 14105

The dataset presents a detailed examination of the exchange rate fluctuations between the Indonesian Rupiah (IDR) and the US Dollar (USD) across two distinct phases, 2011-2016 and 2017-2020, segmented quarterly. During 2011-2016, the exchange rate witnessed significant volatility, starting from a range of 8,709 to 13,276 IDR/USD in Q1 and escalating to a range of 9,068 to 13,436 IDR/USD by Q4, suggesting

potential external economic pressures or domestic fiscal challenges influencing the IDR's value. Transitioning to the 2017-2020 period, an evident depreciation of the IDR is observed, with the Q1 range sharply widening to 9,180 to 16,336 IDR/USD, and maintaining relative instability through to Q4, where it slightly narrowed to 9,670 to 14,105 IDR/USD. This progression indicates increased volatility and possibly reflects the impacts of global economic shifts, domestic policy responses, or changes in trade dynamics. The overall trend highlights a depreciating trajectory of the IDR against the USD, underscoring the complex interplay of global market conditions, Indonesia's economic policies, and external trade factors, with significant implications for inflation, import costs, and economic policymaking within Indonesia, thereby affecting strategic business decisions and the broader economic landscape.

Year	Quarter	Closing Stock Price (IDR)	Number of shares outstanding	MVS (IDR)
2011	Q1	6.950	24.655.010.000	169.338.438.850.000
	Q2	7.650	24.655.010.000	186.394.108.950.000
	Q3	7.700	24.655.010.000	187.612.371.100.000
	Q4	8.000	24.655.010.000	194.921.944.000.000
2012	Q1	8.000	24.655.010.000	194.921.944.000.000
	Q2	7.300	24.655.010.000	177.866.273.900.000
	Q3	7.900	24.655.010.000	193.204.209.100.000
	Q4	9.200	24.655.010.000	224.997.306.800.000
2013	Q1	11.400	24.655.010.000	281.067.114.000.000
	Q2	10.000	24.655.010.000	246.550.100.000.000
	Q3	10.000	24.655.010.000	246.550.100.000.000
	Q4	9.600	24.655.010.000	236.688.096.000.000
2014	Q1	10.600	24.655.010.000	261.343.106.000.000
	Q2	11.000	24.655.010.000	271.205.110.000.000
	Q3	13.075	24.655.010.000	322.364.255.750.000
	Q4	13.125	24.655.010.000	323.597.006.250.000
2015	Q1	14.775	24.655.010.000	364.277.772.750.000
	Q2	13.500	24.655.010.000	332.842.635.000.000
	Q3	12.300	24.655.010.000	303.256.623.000.000
	Q4	13.300	24.655.010.000	327.911.633.000.000
2016	Q1	13.300	24.655.010.000	327.911.633.000.000
	Q2	13.300	24.655.010.000	327.911.633.000.000
	Q3	15.900	24.655.010.000	392.014.659.000.000
	Q4	15.500	24.655.010.000	382.152.655.000.000

2017	Q1	16.700	24.655.010.000	411.738.667.000.000

In the table above, the MVS Value of PT. Bank Centra Asia Tbk. 2011-2020 period. This value is obtained from multiplying the closing share price by the number of Bank Centra Asia Tbk shares circulating on the market. The highest closing share price was in Q$ in 2020 with a value of Rp. 33,825 / share.

Year	Quarter	AVCL	AVCA	AVLTD	Debt
2011	Q1	283,482,668	320,829,422	6,924,968	-30,421,786
	Q2	293,912,952	334,566,097	8,751,299	-31,901,846
	Q3	313,476,818	348,276,048	9,073,395	-25,725,835
	Q4	333,879,171	369,225,065	6,001,842	-29,344,052
2012	Q1	347,786,976	385,835,127	8,627,499	-29,420,652
	Q2	355,154,599	391,906,602	7,909,345	-28,842,658
	Q3	369,566,806	410,204,247	8,227,273	-32,410,168
	Q4	382,517,830	424,726,066	8,578,425	-33,629,811
2013	Q1	380,359,403	428,673,561	10,486,294	-37,827,864
	Q2	390,720,058	438,685,495	9,674,353	-38,291,084
	Q3	413,791,108	466,399,417	12,111,158	-40,497,151
	Q4	422,900,518	475,025,100	9,437,377	-42,687,205
2014	Q1	421,671,980	478,724,034	12,531,552	-44,520,502
	Q2	438,036,598	497,190,927	14,324,339	-44,829,990
	Q3	448,683,420	511,667,625	13,804,832	-49,179,373
	Q4	464,320,003	527,156,736	10,183,272	-52,653,461
2015	Q1	459,783,131	528,595,774	17,637,353	-51,175,290
	Q2	471,802,706	544,222,365	18,086,864	-54,332,795
	Q3	482,711,005	556,755,759	15,476,865	-58,567,889
	Q4	490,176,241	564,942,827	14,571,589	-60,194,997
2016	Q1	485,777,718	575,307,265	16,629,666	-72,899,881
	Q2	506,919,781	589,169,629	15,723,680	-66,526,168
	Q3	534,691,677	623,918,593	16,052,624	-73,174,292
	Q4	548,555,194	638,251,139	15,468,500	-74,227,445
2017	Q1	553,674,087	650,718,081	17,510,394	-79,533,600
	Q2	593,619,267	691,430,814	23,684,664	-74,126,883
	Q3	595,961,737	702,950,716	16,372,768	-90,616,211
	Q4	601,112,839	709,162,637	17,805,138	-90,244,660
2018	Q1	603,612,484	721,783,935	19,785,499	-98,385,952

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	Q2	635,017,867	752,782,076	19,866,800	-97,897,409
	Q3	635,206,590	760,096,091	20,054,456	-104,835,045
	Q4	650,613,067	778,708,211	22,421,661	-105,673,483
2019	Q1	648,406,314	787,174,747	23,306,438	-115,461,995
	Q2	687,844,608	826,145,702	22,928,138	-115,372,956
	Q3	700,650,912	844,967,119	24,960,605	-119,355,602
	Q4	721,421,945	867,722,372	23,424,211	-122,876,216
2020	Q1	770,507,162	919,886,574	30,712,065	-118,667,347
	Q2	773,288,849	931,869,618	27,572,628	-131,008,141
	Q3	794,368,818	961,276,432	25,373,244	-141,534,370
	Q4	857,951,466	1,031,349,990	27,686,453	-145,712,071

The results from the debt calculations presented above indicate fluctuating values, with the smallest figure recorded in 2020 amounting to Rp. -145,712,071, and the highest being Rp. -25,725,835. In this research, all the debt values are negative, suggesting that the company possesses excess current assets (a shortfall in current liabilities), implying either ineffective management of the company's current assets or that the company has specific reasons for maintaining higher current assets compared to its current liabilities.

Statistik Deskriptif

Variabel	Mean	Median	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis	Jarque-Bera	Probability	Sum	Sum Sq. Dev.	Observations
Y (Nilai Perusahaan)	0.514000	0.490000	0.770000	0.360000	0.101421	0.721647	2.685848	3.636311	0.162325	20.56000	0.401160	40
X1 (Pertumbuhan Ekonomi)	0.897500	0.565000	4.210000	-5.050000	2.731302	-0.271775	1.777492	2.983284	0.225003	35.90000	290.9403	40
X2 (Nilai Tukar)	9.417754	9.495330	9.701127	9.059169	0.181107	-0.759008	2.218892	4.857503	0.088147	376.7101	1.279194	40
Z (Investasi Portopolio Asing)	19.29061	19.44386	20.73763	17.47340	0.771727	-0.382231	2.404834	1.564374	0.457405	771.6244	23.22691	40

The table presented includes four variables, comprising two independent variables (economic growth and exchange rate), one dependent variable (company value), and

one intervening variable (foreign portfolio investment), with a total of 40 observations. The table provides the mean values for each variable, along with their standard deviations. From the descriptive statistical analysis, it is evident that the dependent variable Y (Company Value) has a minimum value of 0.360000, a maximum of 0.770000, an average value of 0.514000, and a standard deviation of 0.101421. The independent variable X1 (Economic Growth) shows a minimum of -5.050000, a maximum of 4.210000, a mean of 0.897500, and a standard deviation of 2.731302. For the independent variable X2 (Exchange Rate), the lowest value is 9.059169, the highest is 9.701127, with a mean of 9.417754 and a standard deviation of 0.181107. Lastly, the intervening variable Z (Foreign Portfolio Investment) range from 17.47340 to 20.73763, with an average of 19.29061 and a standard deviation of 0.771727.

Linear Regression Test Results Equation I

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C (Constant)	-2.062101	0.754352	-2.733606	0.0097
X1	-0.003812	0.005039	-0.756521	0.4543
LOGX2	0.183202	0.110861	1.652534	0.1071
LOGZ	0.044279	0.025354	1.746419	0.0893

Statistic	Value
R-squared	0.406822
Mean dependent var	0.514000
Adjusted R-squared	0.357390
S.D. dependent var	0.101421
S.E. of regression	0.081302
Akaike info criterion	-2.086658
Sum squared resid	0.237959
Schwarz criterion	-1.917770
Log likelihood	45.73316
Hannan-Quinn criter.	-2.025593
F-statistic	8.230013
Durbin-Watson stat	0.848617
Prob(F-statistic)	0.000267

The Linear Regression Equation I analysis, focusing on the dependent variable Y using the Least Squares method, reveals insightful details about the relationship between the dependent variable and the predictors within the dataset spanning from Q1 2011 to Q4 2020. The regression coefficients indicate the extent of influence each independent variable has on the dependent variable Y. The constant term (C) is significant with a coefficient of -2.062101, indicating the value of Y when all independent variables are zero, but its negative sign suggests a potential inverse relationship with the dependent variable when other predictors are absent.

The coefficient for X1 is -0.003812, suggesting a slight negative impact on Y, although its high p-value of 0.4543 indicates this effect is not statistically significant, implying that changes in the economic growth (represented by X1) might not have a strong predictive value for Y within this model. Conversely, LOGX2, representing the logarithm of the exchange rate, has a positive coefficient of 0.183202, but similar to X1, its influence is not statistically significant (p-value = 0.1071), suggesting that while the exchange rate's increase is associated with an increase in Y, the relationship does not firmly establish causality based on this data set.

The intervening variable, LOGZ, shows a positive coefficient of 0.044279, hinting at a positive relationship with the company's value. However, its p-value of 0.0893, although close to the conventional significance level, does not allow for a conclusive assertion of its impact.

The model's R-squared value of 0.406822 indicates that approximately 40.68% of the variability in the dependent variable is explained by the model, which is a moderate fit. The adjusted R-squared is slightly lower, reflecting the penalty for the number of predictors in the model. The F- statistic is significant, indicating that the model is statistically significant at explaining the variation in the dependent variable Y.

In summary, while the model provides some insights into the factors that might influence the company's value, the lack of statistical significance in the predictors suggests that other external variables or the model's structure might need reevaluation to enhance its predictive capability or to better understand the underlying dynamics affecting the dependent variable. The analysis underscores the importance of considering both the magnitude of the coefficients and their statistical significance in drawing meaningful conclusions from regression models.

Linear Regression Test Results Equation 2

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-11.49351	4.511578	-2.547559	0.0151
X1	0.047825	0.031714	1.508021	0.1400
LOGX2	3.264175	0.478282	6.824795	0.0000

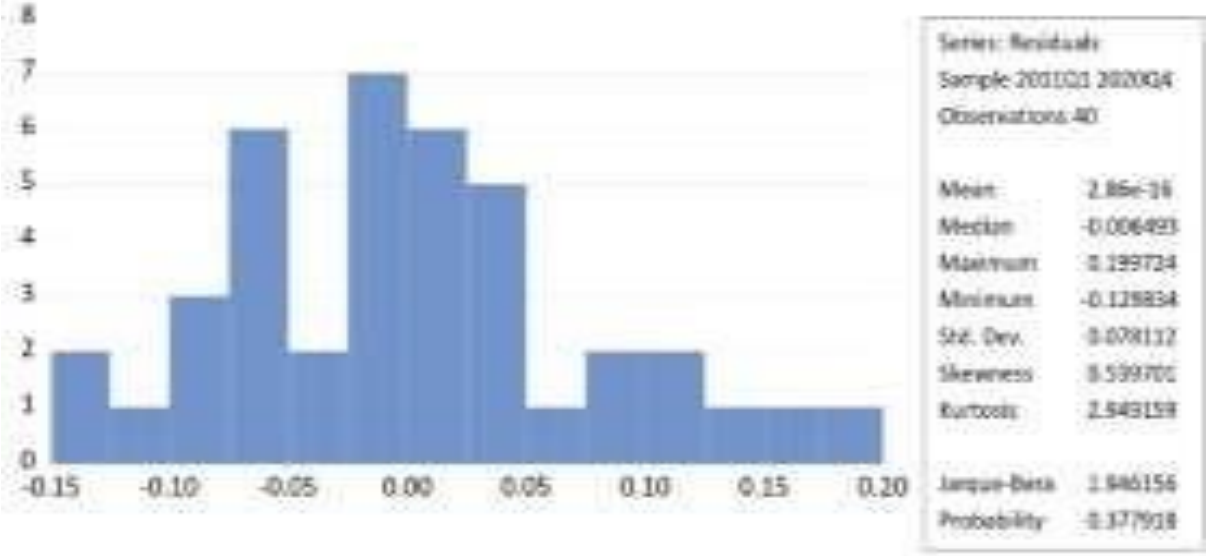
R-squared	0.557302	Mean dependent var	19.29061
Adjusted R-squared	0.533372	S.D. dependent var	0.771727
S.E. of regression	0.527168	Akaike info criterion	1.629443
Sum squared resid	10.28252	Schwarz criterion	1.756109
Log likelihood	-29.58885	Hannan-Quinn criter.	1.675241
F-statistic	23.28917	Durbin-Watson stat	1.671998
Prob(F-statistic)	0.000000		

The regression analysis showcases the relationship between the dependent variable Y and independent variables X1 and LOGX2. The constant term (C) is significantly negative, indicated by a coefficient of -11.49351 with a p-value of 0.0151, suggesting a substantial baseline level when all independent variables are zero. The coefficient of X1 is 0.047825, but with a p-value of 0.1400, it implies a positive but not statistically significant impact on Y. Conversely, LOGX2, with a coefficient of 3.264175 and a p-

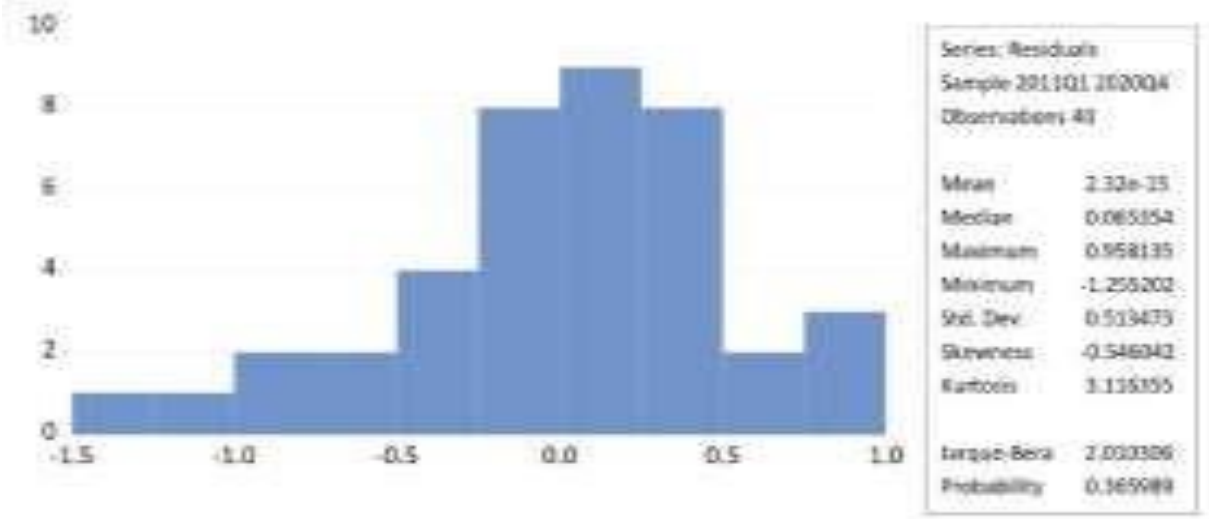
value of 0.0000, significantly affects the dependent variable, indicating a strong positive relationship.

The model's R-squared value of 0.557302 indicates that approximately 55.73% of the variability in the dependent variable is explained by the model. The adjusted R-squared of 0.533372, along with the F-statistic of 23.28917 and its associated p-value, confirms the model's overall statistical significance. The Durbin-Watson statistic of 1.671998 suggests that there is no serious autocorrelation in the residuals. The model's fit is further evidenced by the Akaike information criterion, Schwarz criterion, and the Hannan-Quinn criterion values, providing a good balance between the model's complexity and its ability to explain the variance in the data.

Equation I Normality Test Results



Equation 2 Normality Test Results



In the normality test results shown (Figure 4.4), the probability value of the Jarque-Bera (J-B) statistic is 0.377918. Since this probability value is greater than 0.05, and

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similarly, in (Figure 4.5), the probability value of the J-B statistic is 0.365989, it can be assumed that normality is satisfied for both datasets.

Partial Test Results (T Test) Equation 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.062101	0.754352	-2.733606	0.0097
X1	-0.003812	0.005039	-0.756521	0.4543
LOGX2	0.183202	0.110861	1.652534	0.1071
LOGZ	0.044279	0.025354	1.746419	0.0893

R-squared	0.406822	Mean dependent var	0.514000
Adjusted R-squared	0.357390	S.D. dependent var	0.101421
S.E. of regression	0.081302	Akaike info criterion	-2.086658
Sum squared resid	0.237959	Schwarz criterion	-1.917770
Log likelihood	45.73316	Hannan-Quinn criter.	-2.025593
F-statistic	8.230013	Durbin-Watson stat	0.848617
Prob(F-statistic)	0.000267		

The regression analysis presents an interesting insight into the relationship between the dependent variable Y and the independent variables X1, LOGX2, and LOGZ. The constant term (C) is significantly negative with a coefficient of -2.062101, indicating a substantial negative intercept of the regression line; this is statistically significant as evidenced by a p-value of 0.0097. The variable X1 has a negative coefficient (-0.003812) but is not statistically significant given its p-value of 0.4543, suggesting that its impact on Y might be negligible or uncertain in this model. On the other hand, LOGX2 shows a positive relationship with Y, having a coefficient of 0.183202, yet this is not statistically significant with a p-value of 0.1071. LOGZ also indicates a positive effect on Y, with its coefficient being 0.044279 and a near- significant p-value of 0.0893, hinting at a potentially influential but not definitively significant relationship.

The model's explanatory power, indicated by an R-squared value of 0.406822, suggests that approximately 40.68% of the variance in the dependent variable is explained by the model. The adjusted R- squared value of 0.357390 adjusts for the number of variables in the model and indicates a good fit. The standard deviation of the dependent variable is 0.101421, and the standard error of the regression is 0.081302, reflecting the average distance that the observed values fall from the regression line. The model's goodness-of-fit and predictive accuracy are further evidenced by the Akaike Information Criterion, Schwarz Criterion, and Hannan-Quinn Criterion, alongside a very significant F-statistic (8.230013) with a p-value of 0.000267, confirming the overall statistical validity of the model. However, the Durbin-Watson statistic of 0.848617 suggests potential autocorrelation in the residuals that might need further investigation.

Partial Test Results (T Test) Equation 2

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-11.49351	4.511578	-2.547559	0.0151

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X1	0.047825	0.031714	1.508021	0.1400
LOGX2	3.264175	0.478282	6.824795	0.0000

R-squared	0.557302	Mean dependent var	19.29061
Adjusted R-squared	0.533372	S.D. dependent var	0.771727
S.E. of regression	0.527168	Akaike info criterion	1.629443
Sum squared resid	10.28252	Schwarz criterion	1.756109
Log likelihood	-29.58885	Hannan-Quinn criter.	1.675241
F-statistic	23.28917	Durbin-Watson stat	1.671998
Prob(F-statistic)	0.000000		

Regression analysis indicates that the logarithmized independent variable X2 (LOGX2) has a statistically significant regression coefficient with a value of 3.264175 (Std. Error = 0.478282, t-Statistic = 6.824795, Prob = 0.0000). This suggests that a one-unit change in the logarithm of X2 will result in an increase of 3.264175 in the dependent variable. Meanwhile, the independent variable C also shows a significant impact on the dependent variable with a coefficient of -11.49351 (Std. Error = 4.511578, t-Statistic = -2.547559, Prob = 0.0151), indicating a constant effect in the model. However, the independent variable X1 does not show a statistically significant impact on the dependent variable with a coefficient of 0.047825 (Std. Error = 0.031714, t-Statistic = 1.508021,
Prob = 0.1400). The R-squared value reaching 0.557302 indicates that the model overall can explain about 55.73% of the variability in the dependent variable. Additionally, the nearly similar adjusted R-squared value indicates that the model adequately addresses overfitting (Adjusted R-squared = 0.533372). The F-statistic with a value of 23.28917 and a very low Prob(F- statistic) indicates that the model overall is statistically significant. The Durbin-Watson statistic with a value of 1.671998 indicates no autocorrelation in the model's residuals, while other values such as the Standard Deviation (S.D.) of the dependent variable, S.E. of regression, and Akaike info criterion provide additional insights into the quality of the generated model.

Variable	**Causal Influence**		**Indirect Direction of Influence**	**Sig.**
	Influence Immediately	**Indirect Influence**		
GDP to company value	-0.003812	-0.000182309	negative	no sig.
Exchange rate against the value of the company	0.183202	0.598003388	positife	no sig.
Investment foreign portfolio against exchange rates	0.044279			no sig.
GDP against Foreign portfolio investment	0.047825			no sig.

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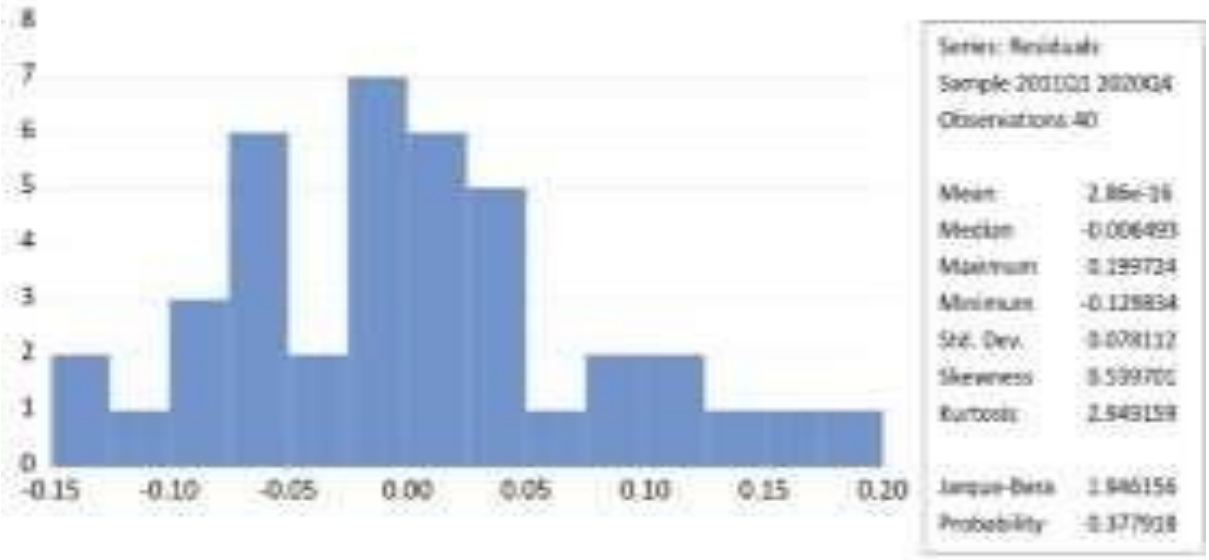
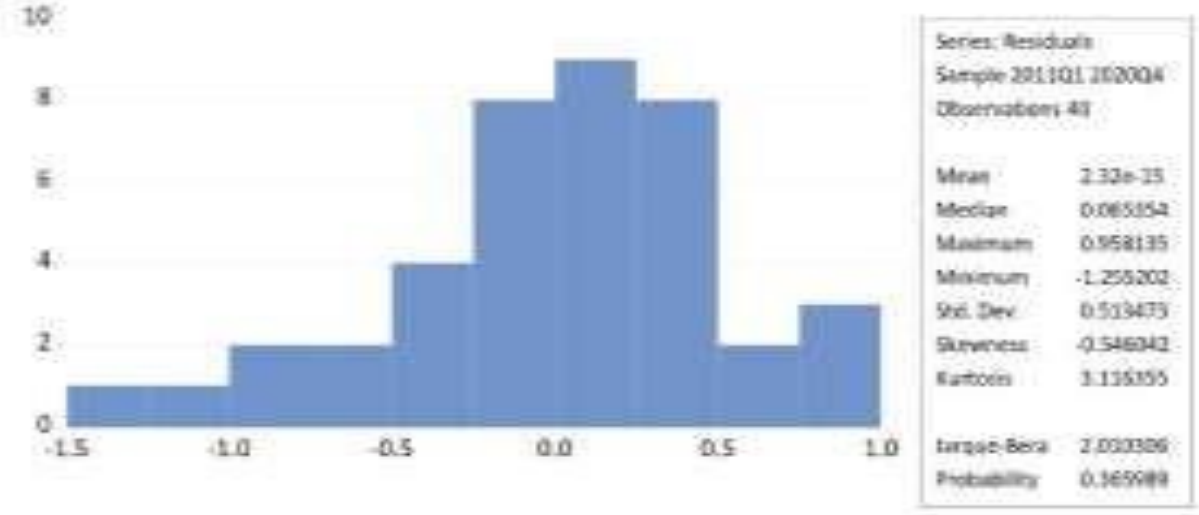
Exchange rate against foreign portfolio investment	3.264175			sig.

The influence of economic growth on firm value through foreign portfolio investment reveals that foreign portfolio investment does not act as a mediator in the relationship between Economic Growth (GDP) and firm value, whether directly or indirectly. Similarly, when examining the impact of exchange rate on firm value through foreign portfolio investment, it becomes evident that foreign portfolio investment indirectly contributes positively to mediating the influence of exchange rate on firm value. This suggests that a lower exchange rate affects the influx of foreign portfolio investments, subsequently increasing the demand for company shares. Consequently, heightened demand for shares leads to an escalation in stock prices, ultimately boosting the company's overall value.

Equation I Normality Test Results



Equation 2 Normality Test Results



In the normality test results shown (Figure 4.4), the probability value of the Jarque-Bera (J-B) statistic is 0.377918. Since this probability value is greater than 0.05, and similarly, in (Figure 4.5), the probability value of the J-B statistic is 0.365989, it can be assumed that normality is satisfied for both datasets.

Partial Test Results (T Test) Equation 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.062101	0.754352	-2.733606	0.0097
X1	-0.003812	0.005039	-0.756521	0.4543
LOGX2	0.183202	0.110861	1.652534	0.1071
LOGZ	0.044279	0.025354	1.746419	0.0893

R-squared	0.406822	Mean dependent var	0.514000
Adjusted R-squared	0.357390	S.D. dependent var	0.101421
S.E. of regression	0.081302	Akaike info criterion	-2.086658
Sum squared resid	0.237959	Schwarz criterion	-1.917770
Log likelihood	45.73316	Hannan-Quinn criter.	-2.025593
F-statistic	8.230013	Durbin-Watson stat	0.848617
Prob(F-statistic)	0.000267		

The regression analysis presents an interesting insight into the relationship between the dependent variable Y and the independent variables X1, LOGX2, and LOGZ. The constant term (C) is significantly negative with a coefficient of -2.062101, indicating a substantial negative intercept of the regression line; this is statistically significant as evidenced by a p-value of 0.0097. The variable X1 has a negative coefficient (-0.003812) but is not statistically significant given its p-value of 0.4543, suggesting that its impact on Y might be negligible or uncertain in this model. On the other hand, LOGX2 shows a positive relationship with Y, having a coefficient of 0.183202, yet this is not statistically significant with a p-value of 0.1071. LOGZ also indicates a positive effect on Y, with its coefficient being 0.044279 and a near- significant p-value of 0.0893, hinting at a potentially influential but not definitively significant relationship.

The model's explanatory power, indicated by an R-squared value of 0.406822, suggests that approximately 40.68% of the variance in the dependent variable is explained by the model. The adjusted R- squared value of 0.357390 adjusts for the number of variables in the model and indicates a good fit. The standard deviation of the dependent variable is 0.101421, and the standard error of the regression is 0.081302, reflecting the average distance that the observed values fall from the regression line. The model's goodness-of-fit and predictive accuracy are further evidenced by the Akaike Information Criterion, Schwarz Criterion, and Hannan-Quinn Criterion, alongside a very significant F-statistic (8.230013) with a p-value of 0.000267, confirming the overall statistical validity of the model. However, the Durbin-Watson statistic of 0.848617 suggests potential autocorrelation in the residuals that might need further investigation.

Partial Test Results (T Test) Equation 2

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-11.49351	4.511578	-2.547559	0.0151
X1	0.047825	0.031714	1.508021	0.1400
LOGX2	3.264175	0.478282	6.824795	0.0000

R-squared	0.557302	Mean dependent var	19.29061
Adjusted R-squared	0.533372	S.D. dependent var	0.771727
S.E. of regression	0.527168	Akaike info criterion	1.629443
Sum squared resid	10.28252	Schwarz criterion	1.756109
Log likelihood	-29.58885	Hannan-Quinn criter.	1.675241
F-statistic	23.28917	Durbin-Watson stat	1.671998
Prob(F-statistic)	0.000000		

Regression analysis indicates that the logarithmized independent variable X2 (LOGX2) has a statistically significant regression coefficient with a value of 3.264175 (Std. Error = 0.478282, t-Statistic = 6.824795, Prob = 0.0000). This suggests that a one-unit change in the logarithm of X2 will result in an increase of 3.264175 in the dependent variable. Meanwhile, the independent variable C also shows a significant impact on the dependent variable with a coefficient of -11.49351 (Std. Error = 4.511578, t-Statistic = -2.547559, Prob = 0.0151), indicating a constant effect in the model. However, the independent variable X1 does not show a statistically significant impact on the dependent variable with a coefficient of 0.047825 (Std. Error = 0.031714, t-Statistic = 1.508021,
Prob = 0.1400). The R-squared value reaching 0.557302 indicates that the model overall can explain about 55.73% of the variability in the dependent variable. Additionally, the nearly similar adjusted R-squared value indicates that the model adequately addresses overfitting (Adjusted R-squared = 0.533372). The F-statistic with a value of 23.28917 and a very low Prob(F- statistic) indicates that the model overall is statistically significant. The Durbin-Watson statistic with a value of 1.671998 indicates no autocorrelation in the model's residuals, while other values such as the Standard Deviation (S.D.) of the dependent variable, S.E. of

regression, and Akaike info criterion provide additional insights into the quality of the generated model.

Variable	Causal Influence		Indirect Direction of Influence	Sig.
	Influence Immediately	Indirect Influence		
GDP to company value	-0.003812	-0.000182309	negative	no sig.
Exchange rate against the value of the company	0.183202	0.598003388	positife	no sig.
Investment foreign portfolio against exchange rates	0.044279			no sig.
GDP against Foreign portfolio investment	0.047825			no sig.
Exchange rate against foreign portfolio investment	3.264175			sig.

The influence of economic growth on firm value through foreign portfolio investment reveals that foreign portfolio investment does not act as a mediator in the relationship between Economic Growth (GDP) and firm value, whether directly or indirectly. Similarly, when examining the impact of exchange rate on firm value through foreign portfolio investment, it becomes evident that foreign portfolio investment indirectly contributes positively to mediating the influence of exchange rate on firm value. This suggests that a lower exchange rate affects the influx of foreign portfolio investments, subsequently increasing the demand for company shares. Consequently, heightened demand for shares leads to an escalation in stock prices, ultimately boosting the company's overall value.

Conclusion

Based on the research and elucidation provided concerning the impact of economic growth and exchange rate on firm value, with foreign portfolio investment serving as the intervening variable for the period 2011-2020, several conclusions can be drawn. Firstly, the Economic Growth observed between 2011 and 2020 exhibits a statistically insignificant negative influence on firm value, thereby refuting the initial hypothesis. Secondly, the Exchange Rate during this period demonstrates a similarly insignificant negative effect on firm value, leading to the rejection of the second hypothesis. Thirdly, foreign portfolio investment shows a non-significant positive impact on firm value, resulting in the dismissal of the third hypothesis. Moreover, it is found that foreign portfolio investment does not mediate the relationship between Economic Growth (GDP) and firm value, whether directly or indirectly, thus rejecting the fourth hypothesis. Lastly, although foreign portfolio

investment does not directly mediate the effect of exchange rate on firm value, the exchange rate does have a direct influence on foreign portfolio investment, subsequently reinforcing the link between exchange rate and firm value. Consequently, the fifth hypothesis is supported. These research findings underscore that neither exchange rate nor economic growth significantly affects the magnitude of firm value, highlighting the need for further exploration and understanding of the dynamics at play within the realm of macroeconomic factors and their impact on firm valuation.

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