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Working capital and macroeconomic variables as value creation in Indonesian textile companies

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ABSTRACT

No company exists in vacuum and the continuity of any company is determined by factors that are within and outside their control. Based on this fact, this study was designed to investigate the influence of working capital management and three macroeconomic variables (inflation, foreign exchange rate and interest rates) on the value of ten Indonesian Textile Companies for the years 2005-2014. The study used path analysis techniques to analyze data. Based on statistical analyses, it was observed that investment structure, financing structure and liquidity significantly affected the performance and the value of textile companies. Also, foreign exchange rate and interest rate significantly affected the performance and the value. Moreover, cash conversion-cycle, working capital turnover, and interest rate did not significantly affect their performance. The performance was not mediated by the effect of cash conversion cycle, working capital turnover, and inflation on the company's value, but it successfully mediated the effect of investment structure, financing structure, liquidity, foreign exchange rate and interest rates on the companies' value.

INTRODUCTION

The year 2015 was indicated as a new era in which Southeast Asia (ASEAN) was opened to a free economy. It was a signal for competition, so that companies are required to operate more efficient in other for them to be competitive. The opening of free trade of ASEAN would shortly increase a competition, so companies reach lower profit margins than usual, while the company needed cash for expansion within or outside the country, and the need to pay the debt, the financial managers began to shift in working capital as a source of cash (Ching et al., 2011).

Smit (1973) stated that a large number of business failures are caused by the inability of financial managers to plan and control their current assets and debt. The dilemma in the management of working capital to obtain optimal working capital, is that company managers must control the trade-off between profitability and liquidity (Raheman and Nasr, 2007). Optimal working capital is expected to contribute positively to company value (Deloof, 2003).

The company with current assets that are too low may have difficulty in maintaining smooth operations. Capital efficient work involves planning and control of current assets and current liabilities in balance in order to reduce the risk of inability to meet short-term obligations and avoid excessive investment (Eljelly, 2004).

In addition to internal factors, macro-economic conditions as external factors that can affect performance and value. Many researchers believe that some macro economics variables, such as interest rates (Charitou et al., 2004; Demir, 2007; Gallardo et al., 2001; Kanwal and Nadeem, 2013), exchange rate fluctuations (Rachmawati, 2012; Manoori and Jorjah, 2012; Suardani, 2009), and inflation (Sitorus, 2004; Schmeling and Schrimpf, 2008) affect the purchasing power of both individuals and companies. Empirical research of working c apital management and macroeconomic factors has a lot to

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do in answering the phenomena that occur and thrive in the business world. However, the results of research on the effect of working capital management and macroeconomics factors toward performance and value conflicting or inconsistent.

Several studies on cash conversion cycle have negative effect on the performance as reported by Ogundipe et al. (2012) in Nigeria, Sadiamajeed et al. (2013) in Pakistan and Al-Debie (2011) in Jordan. While researches that confirmed positive effect on company performance were done by Akoto et al. (2013) in Ghana stock exchange, Abuzayed (2011) in Jordan stock exchange, Shin and Soenen (1998) and Toro and Hartono (2014) in Indonesia Stock Exchange. This differs from Gill et al. (2010) in New York stock exchange who found no effect of cash cycle on performance.

Related to working capital turnover and its impact on performance, Raheman et al. (2010) proved the positive effect of working capital turnover on performance in Pakistan. In line with this result, other studies by Mashady and Husaini (2014) and Kaddumi and Ramadan (2012) reported similar observation. But Azam and Haider (2011) did not proved that working capital turnover has effect on performance. The studies of significant effect of funding structure on performance conducted by Nazir and Afza (2009), Qayyum et al. (2010) and Mashady and Husaini (2014) reported contrasting observations.

In the context of company value, Ulupui (2007) and Sudiyanto (2012) found that return on assets (ROA) has significant effect on company value. In contrary, Ogundipe et al. (2012) and Wijaya and Linawati (2015) in companies listed on the Indonesia Stock Exchange Period 2008-2013 stated that ROA does not affect the value of the company. A research on liquidity conducted by Raheman et al. (2010) proved that ROA significantly affect performance.

In relation with macroeconomics variable, Desislava (2005) and Kusuma (2008) proved that foreign exchange rate, interest rates, and inflation have significant effect on stock price index. But, another study showed a different result in which there is no effect of inflation on stock price (Gudono, 2007); there is no effect of interest rate and foreign exchange rate on stock price.

Based on previous studies, this research will empirically extend the influence of working capital management and macroeconomics variable on performance and company value. This study focused more on industrial company due to the following reasons: a) Textile company was t he 2nd labor-intensive company after Gas and Oil industry that absorbed about 10,000 workers; b) clothing is a basic necessity of Indonesia with 240 million population while ASEAN have 600 million; c) contribution of textile industry to gross domestic product (GDP) is quite large with fourth rank after food, beverage, tobacco and transportation equipment.

According to Bringham and Gapensi (2003) the value of the company is the sale value of the company and is reflected in stock market prices and the value of the debt. Measurement of the value of the company using Tobin's q. Smithers and Wright (2000: 37), Fiakas (2005) Tobin's q is the ratio of the market value of the company's assets as measured by the market value of the number of shares outstanding and payable to the replacement cost of the assets of the company. Q ratio shows the estimated current financial market about the return value of every dollar increase in investments. This ratio developed by Tobin (1969). Q ratio shows the company the opportunity to grow in the future through investment policies, the greater the value of Tobin's q indicates that the company has good growth prospects.

The company's performance as a result of the decision of the management company (Helfert, 2001). Measurement of company performance, among others with profitability. Profitability is the company's ability to obtain profit in relation to sales, total assets and own capital (Sartono, 2010; Brigham and Houston, 2010). Dodd and Chen (1996) suggested that ROA is the better measurement of performance because it represent stakeholders interests.

Keown et al. (2010: 245) argued that cash conversion cycle, a simple summation of the period of collection of accounts receivable and inventory conversion period reduced the debt repayment period which has not been resolved. According to Sawir (2005), working capital turnover indicates the number of sales (in rupiah) obtained by the company for each rupiah working capital invested. According Riyanto (2011) and Nazir and Afza (2009), working capital investment structure is the ratio between current assets and total assets of the company.

Working capital financing structure according Riyanto (2011) shows the amount of short-term debt to total assets owned by the company. Usually short-term debt will mature in less than one year, and they cost less than the long-term debt (Brigham and Houston, 2010). According to Brigham and Houston (2010), Liquidity indicates the company's ability to repay current liabilities using current assets owned. High liquidity demonstrates the ability of the company meet its short term obligations in this study, measured by the current Liquidity ratio.

According to Puspopranoto (2004: 212) and Dornbusch et al. (2008: 46), the exchange rate is the price of a country's currency exchanged for another country's currency. The exchange rate is the price of a country's currency expressed in another country's currency (Madura, 2005). According to Tandelilin (2010: 212), The strengthening of the rupiah against foreign currencies will lower the cost of imported materials for production and lower the rate of interest applicable.

According to Dornbusch et al. (2008: 43) and Subagyo et al. (2002), the rate of interest is the level of payments

Table 1. Descriptive statistics.

	N	Minimum	maximum	mean	Std. deviation
Cash conversion cycle (SK)	100	-234.4 300	849.7 200	119, 3646	150.546 15
Working capital turnover (PM)	100	00 0.24	5.190 0	2,150 3	1,040 05
Structure of investment (SI)	100	2.79	75.77	4 1 .6783	18.44123
Structure funding (SP)	100	1. 21	73.52	39. 6591	15.62263
Liquidity (LK)	100	28.61	424.71	119. 9388	76. 0 0531
Value rupiah exchange (NT)	100	8776.01	11868.67	9768.4 0	879.86
Interest rate (SB)	100	5.77	11.83	7.9660	1.86 411
Inflation (IF)	100	4.28	12.07	7.1710	2.61 109
Company performance (KP)	100	-41.32	13.18	0.2331	7.73 207
Value company (NP)	100	000.41	002.85	0.9470	4960.33
Valid N	100				

Source: Statistical result, 2016.

on loans or other investments, the annual percentage stated (Nanga 2001: 241). Inflation is defined as a phenomenon in which the general price level has increased continuously. Samuelson and Nordhaus (2002) stated that Inflation showed rising prices in general. According to Agustina (2014). Inflation can be defined as the occurrence of long-term price increases. Inflation is the percentage increase continuously up prices prevailing in an economy.

MATERIALS AND METHODS

This research is an explanatory research which describes the influence of several variables through hypothesis testing. The study described the effect of management working capital and macroeconomics factor on performance and company value. The study used tiered regression analysis (a quantitative approach) to test the hypothesis with intervening variable or path analysis of SPSS version 22. The population in the study was ten public textile industry:

a) Listed at Indonesia Stock Exchange for at least ten years old and have no delisting experience during 2005-2014.
b) Publishing audited financial report; and
c) Capital should be positive.

Independent variables were conversion cycle of cash (SK), working capital turnover (PM), the investment structure (SI), the funding structure (SP), liquidity (LK), exchange rate (NT), interest rates (SB) and inflation (IF). Variable performance of the company (KP) as a mediating variable is proxied by the ROA. Variable enterprise value (NP) will be tested as the dependent variable to be proxied by Tobin's q.

Data collection techniques used this study is documentation that the company study the records required in the financial statements to calculate financial ratios of Indonesia Capital Market Directory (ICMD), data on stock prices obtained from the official website. Data was also taken from the official website of Bank Indonesia of exchange rate, interest rate and inflation. The research model were:

1. The influence of working capital management and macro-economic variables to company performance.

$$KP = \beta 1\ SK + \beta 2\ PM + \beta 3\ SI + \beta 4\ SP + \beta 5\ LK + \beta 6\ NT + \beta 7 SB + \beta 8\ IF + \varepsilon$$

2. The influence of macro-economic variables and performance to company value.

$$NP = \beta 9\ NT + \beta 10\ SB + \beta 11\ IF + \beta 12\ KP + \varepsilon$$

Whereas,

KP, Company performance; NP, company value; β1-β12, regression coefficient; SK, cash cycle conversion; PM, working capital turnover; SI, investment structure; SP, financing structure; LK, liquidity NT, exchange rates; SB, interest rates; IF, inflation.

RESULTS AND DISCUSSION

Based on the sampling criteria, obtained 10 companies during the years 2005 to 2014 with 100 observations, test results appear in the Table 1. From descriptive statistics were presented in Table 1 that we found mean value for liquidity was the highest among the exogenous

Table 2. R-Square Model 1.

Model	R	R-square	Adjusted R-square	Std. error of the estimate	Durbin Watson
1	0.623	0.388	0.334	6.30875	1,251

a. Predictors: (Constant), cash cycle conversion, working capital turnover, investment structure, financing structure, liquidity, exchange rates, interest rates, inflation; b. Endogent variable: company performance.

Table 3. R-Square Model 2.

Model	R	R-square	Adjusted R-square	Std. error of the estimate	Durbin Watson
1	0.722	0.522	0.502	2.3645	1,015

c. Predictors: (Constant), exchange rates, interest rates, inflation, company performance; d. Endogent variable: company value.

variables, followed by cash conversion cycle and exchange rates. Before hypothesis testing, we have to conduct an assumption test as follow.

Adequacy sample test

We used population as whole sample of this study, there are 100 and was choosed as sample. It was referred to Arikunto (2006) that recommend that if total population is under 100, it should be taken as sample to achieve good result.

Normality test

According Ghozali (2013: 29) Screening of the normality of the data is the first step that must be done for each analysis multivariate, especially if the goal is inference. If there is normality, then the residuals will be distributed normally. We were used Kolmogorov-Smirnov test with α = 5%. We found that all independent variables are normally distributed proved by α value was above 0.05.

Outlier test

Detection of univariate outliers can be done by determining the limit values would be categorized as a data outlier that is by converting the value into the score standardized or commonly called Z-score, which has a value of means (on average) equal to zero and a standard deviation equal to one. The observation resulted there were five observations expressed outlier

a) Z-Score of cash cycle conversion – 1 observation; b) Z-score of company performance - 2 observations and Z-score of company value – 2 observations. Data outlier in this study was maintained for the representation of the population as well as samples, it is philosophically possible (Ghozali, 2013).

Multicollinearity test

It was conducted to test whether the regression model found correlations between exogenous variables (Ghozali, 2013). Multicollinearity occurred if the value of tolerance is less than 0.1 or the value of variance inflation factor (VIF) greater than 10. If the value of tolerance is more than 0.1 and the value of VIF less than 10, it can be said does not multicollinearity. From statistically test, we found that all the variables exogenous to have a value tolerance is greater than 0.1 and smaller VIF 10, which means free from multicollinearity.

Feasibility model (goodness of fit) of Model I

The F-test results showed the R-value of 0.623 or 62.3% (50%) means that there is strong influence of company value to exogenous variables (Table 2).

F-test

The F-test was conducted to test whether the regression model used is fit or not. If the value of F less than 0.05 (α = 5%), meaning that the exogenous variables in this study were able to explain the endogenous variables (Ghozali, 2013: 98). From the F-test obtained that F-value was 7.214 significant in 0.000 (less than 0.05), so we said that the regression model can be used to predict the company performance.

Feasibility model (goodness of fit) of Model II

The F-test results showed the R-value of 0.722 or 72.2% (50%) means that there is strong influence of company value to exogenous variables (Table 3).

Table 4. t-test results of Model 1.

Model	Standardized coefficient beta	t	Significance	Decision
1 (Constant)				
Cycle conversion cash (SK)	0.047	0.474	0.637	Not significant
Turnover working capital (PM)	0.093	-0.890	0.376	Not significant
Structure of investment (SI)	0.061	0.598	0.032	Significant
Structural funding (SP)	-0.112	0.680	0.048	Significant
Liquidity (LK)	0.226	1,477	0.043	Significant
Value exchange rate (NT)	-0.185	2.161	0.033	Significant
Level of interest rates (SB)	-0.566	-2.918	0.004	Significant
Inflation (IF)	0.087	0.456	0.649	Not significant

Enclogent variable: Company performance (KP).

F-test

The F-test was conducted to test whether the regression model used is fit or not. If the value of F less than 0.05 (α = 5%), meaning that the exogenous variables in this study were able to explain the endogenous variables (Ghozali, 2013: 98). From the F-test obtained that F-value was 25.920 significant in 0.000 (less than 0.05), so we said that the regression model can be used to predict the company value.

Test hypothesis 1 (influence of working capital management and macroeconomic factors on company performance)

The details is as follow:

i. Cash conversion cycle has negative influence on company performance.
ii. Working capital turnover has positive influence on company performance.
iii. Investment structure has positive influence on company performance.
iv. Fund structure has negative influence on company performance.
v. Liquidity has positive influence on company performance.
vi. Exchange rate has negative influence on company performance.
vii. Interest rate has negative influence on company performance.
viii. Inflation has negative influence on company performance.

Based on t-test, we found how exogenous variables influencing endogenous variables (Table 4). From Table 4, it can be said that cash cycle conversion with t- value of 0.474 significant at 0.637 is larger than α = 5% (0.05), means cash cycle conversion did not have significant influence on company performance or cash cycle conversion is not able to explain significantly to company performance. From the calculation of descriptive statistics show the average of cash cycle conversion of 119.3646 days or accounts receivable collection of 64.88 days plus inventory conversion period of 122.51 days minus debt payment period of 68.03 days. This indicates no significantly of cash conversion cycle to company performance due a number of observations were paying debts faster. That condition is causing company must provide additional funds due to slow cash inflow from the sales. From 100 observations, there were 70 observations or 70% are repaid faster than average payment of debts totaling 68.51 days. Of course, that is will enlarge of cash cycle conversion. The results of this study support Azam and Haider (2011) and Raheman et al. (2010) that found no significant effect due to companies in each industry will have different influences of cash cycle conversion.

Variable of working capital turnover has t-value of 0.890, significant at 0.376 was smaller than α = 5% (0.05), means that working capital turnover have significant influence on corporate performance or working capital turnover is able to explain significantly to corporate performance. Based on descriptive statistic calculation, maximum of working capital turnover of 5.19, mean that sale occurred after 70.33 day when they should be every month (30 days). This position is causing working capital turnover does not influence on company performance. While on average value of working capital turnover was 2.1503 in a year (169.74 days). It is indicates that the average was very low means that working capital will realized after 169.74 days so as do not affect to significantly increase on sale. This result was supported by Siswanto (2010) and Azam and Haider (2011) who found no significantly effect of working capital turnover in a manufacturing company in

Pakistan.

Variable of investment structure has t-value of 0.680, significant at 0.048 was larger than α = 5% (0.05), means that investment structure did not have signifi-cant influence on corporate performance or investment structure is not able to explain significantly to corporate performance. From 100 observations, there were 65 observations who have investment structure over 40%. This condition indicates that the textile company was able to finance all operational needs and opportunities that can increase profits. This position could lead to a positive influence between investment structure and corporate performance. It was supported by Raheman et al. (2010), Azam and Haider (2011), Mohammad and Saad (2010) who found significantly effect of investment structure on company performance.

Variable of fund structure has t-value of 0.598, significant at 0.032 was smaller than α = 5% (0.05), means that fund structure have significant influence on corporate performance or fund structure is able to explain significantly to corporate performance. This ratio emphasizes the importance of debt financing arrangements for the company by demonstrating the magnitude of the company assets are financed by short-term debt. The results of this study is supported by Ogundipe et al. (2012) in Nigeria and Mohammad and Saad (2010) in Malaysia and Raheman et al. (2010) in Pakistan who found a significantly effect of fund structure on company performance.

Variable of liquidity has t-value of 1.477, significant at 0.043 was smaller than α = 5% (0.05), means that liquidity have significant influence on corporate performance or liquidity is able to explain significantly to corporate performance. The higher level of liquidity the lower interest to pay so as to increasing profitability. This argument was supported by Wild et al. (2010) which stated the important of liquidity in their contribution as company ability to pay the short term liability. Lack of liquidity will hinder the company to achieve the benefit. It was supported by previous research of Mohammad and Saad (2010), Akoto et al. (2013), Kaddumi and Ramadan (2012) and Hanun (2008) who proved significantly effect of liquidity to company performance.

Variable of exchange rate has t-value of 2.161, significant at 0.033 was smaller than α = 5% (0.05), means that exchange rate have significant influence on corporate performance or exchange rate is able to explain significantly to corporate performance. Exchange Rate will have an impact on profitability in view of textile as raw materials remains largely exported. The results were supported by Tulende et al. (2014), Suardani (2009) and Demir (2007) who found a significant effect of exchange rate on company performance.

Variable of interest rate has t-value of -2.918, significant at 0.004 was smaller than α = 5% (0.05), means that interest rate have significant influence on corporate performance or interest rate is able to explain significantly to corporate performance. Types of consumer goods such as textiles are generally elastic, which mean that the percentage change in quantity demanded is greater than the percentage change in price, thus affecting on sales volume. The high sensitivity of textile companies on interest rates led to have a significant effect on the company performance. This study was proved by Kalengkong (2013), Gallardo et al. (2001), Suardani (2009) and Zeitun et al. (2007) who found significantly affect of interest rate on company performance.

Variable of inflation has t-value of 0.456, significant at 0,649 was larger than α = 5% (0.05), means that inflation did not have significant influence on corporate performance or inflation is not able to explain signifi-cantly to corporate performance. The higher inflation will increase the selling price of goods and lowering the purchasing power of people due to falling real incomes for the public fixed income. The results of this study supported by Bhutta and Hasan (2013) and Halim (2013) who found no significantly effect of inflation on company performance.

Test hypothesis 2 (Influence of macroeconomic factors and company performance on company value)

Firstly is influence of exchange rate on company value. Table 4 shows the coefficient of -0.206 with 0.006 significance (α = 5%) means that exchange rate has negative effects on company value. The declining of exchange rate has negative impact on stock market, because of stock market loss an appeal. This led investors to switch their investment into money market because due to greater benefits so will declining stock price. This result was supported by several studies of Sekar (2005), Amperaningrum and Agung (2011) and Mardiyati et al. (2012).

Secondly is influence of interest rate on company value with coefficient of -0.134, significance at 0.037 (α = 5%). It can be said that interest rate have negative significance on company value. Basically, as long as no macro-economic conditions that caused a spike in interest rates, investors will still be motivated to invest in stock. Primarily for investor who like greater risk, they will be motivated to invest in form of stock due to greater return and he would hope to get dividend. It was supported by Lee (1992), Gupta et al. (2000) and Gan et al. (2006).

Thirdly is influence of inflation on company value with coefficient of 0.109, significance at 0.512 (α = 5%). It can be said that inflation did not have significant influence on company value. It was caused by an average of inflation during the observation period is still

Table 5. Hypothesis testing results H3.1-H3.8.

Hypothesis	Coefficient regression (B)	Value (B)	Significance
i	H3.1: Corporate performance mediating influence cash cycle conversion to company	0.0003	0.0367
ii	H3.2: Corporate performance mediating influence receivable to company value	-0.0417	0 .0607
iii	H3.3: Corporate performance mediates the influence of investment structure to comp	0.3030	0.0093
iv	H3.4: Corporate performance mediates the influence of fund structure to company va	-0.0657	0.6641
v	H3.5: Corporate performance mediate the effect of liquidity to the company value	0.0621	0.0396
vi	H3.6: Corporate performance mediates the influence of exchange rate on corporate	0.0001	0.0083
vii	H3.7: Corporate performance mediates the effect of the rate of interest on the comp	- 6.0939	0.0000
viii	H3. 8 : Corporate performance mediating the influence of inflation to company value	-8.0009	0.0000

relatively moderate, so that it can stimulate the growth of the business community to expand its production. The type investor in Indonesia is speculator, he prefer transasct stock in the short term, causing investors to take to profit taking with hope of capital gains are higher in the capital market than investing in Certificate of Indonesian Bank (SBI). The speculator usually make a decision to buy or sell shares based on technical analysis, so more emphasis on the trend of price and no need of macroeconomic analysis to estimate share value (Tandelilin, 2010). This study was consistent with Selviarindi (2011), Amperaningrum and Agung (2011) and Noerirawan and Muid (2012).

Fourthly is influence of company performance on company value with coefficient of 0.617, significance at 0.000 (α = 5%). It can be said that company performance has positive significance on company value. ROA represent a high return on total asset invested, will certainly impact on the dividend value to be distributed. In accordance with signaling theory, the higher rate of return or dividend will be positively signal to investors, so the investors will be interested to buy company stock and then high demand on company stock will increase the price as reflection of the increasing the value. These results were supported by Alghifari et al. (2013) and Triagustina et al. (2014).

Test Hypothesis 3 (Company performance mediated the influence of working capital management and macroeconomic variables on company value)

Firstly is company performance mediating the influence of the cash cycle conversion to company value. By Sobel test, it was resolved that the coefficient of 0.0003, significance at 0.0367 (α = 5%) (Table 5). It can be said that company performance has significantly mediated of cash cycle conversion on company value. Theoretically, negative cash cycle conversion is indicates that the receipt time is fasten than the time consume on expenditure, so the company can early utilitize its funding beneficially to invest so as to positively impact on company performance and finally will be increase of investor trust and increasing stock price and company value.

Secondly is company performance is mediating the influence of working capital to company value. By Sobel test, it was resulted the coefficient of -0.0417, significance at 0.0607 (α = 5%). It can be said that company performance has no significantly mediated of working capital on company value. Basically, slowly working capital turnover indicated that the use of non-efficient working capital so as to resulted a lower sales. Lower sales with non-efficiency would impact negatively on company performance so has impact in lower trust of investors and finally will decrease stock price and company value.

Thirdly is company performance mediating the influence of investment structure on company value. By Sobel test, it was resulted the coefficient of 0.03030, significance at 0.0093 (α = 5%). It can be said that company performance has significantly mediated of investment structure on company value. Theoretically, large investment structure indicates that company provides large supplies and credit sales. It allow the company to provides good service so as to have positive impact on company performance due to the trust of investor and finally will increase stock price and company value.

Fourthly is company performance is mediating the influence of funding structure to company value. By Sobel test, it was resulted the coefficient of -0.0657, significance at 0.6641 (α = 5%). It can be said that company performance has no significantly mediated of funding structure on company value. High funding structure would indicate the presence of fixed assets financed by short - term debt which should be financed by long-term source. This will have a negative impact on company performance and then will further decline the trust of investors so become decrease the stock price and company value.

Fifthly is company performance is mediating the

influence of liquidity on company value. By Sobel test, it was resulted the coefficient of 0.0621, significance at 0.0396 (α = 5%). It can be said that company performance has significantly mediating of liquidity on company value. High liquidity will guarantee the ability to repay short-term debt and dividend, conduct of operational activities and investing so as to decrease the stock price and company value.

Sixthly is company performance is mediating the influence of exchange rate on company value. By Sobel test, it was resulted the coefficient of 0.0001, significance at 0.0083 (α = 5%). It can be said that company performance has significantly mediating of exchange rate on company value. The increasing of exchange rate will led the investor to switch their investment into money market so as to decrease the volume of stock transaction and company value in the end.

Seventhly is company performance is mediating the influence of interest rates company value. By Sobel test, it was resulted the coefficient of -6.0939, significance at 0.0000 (α = 5%). It can be said that company performance has significantly mediated of interest rates on company value. The increasing of interest rates would enhance of expected return by investors. High return will force the company to raise the selling price of the product, it will have an impact on sales, company performance, stock prices and ultimately a decrease of company value.

Eigthly is company performance is mediating the influence of inflation on company value. By Sobel test, it was resulted the coefficient of -6.0009, significance at 0.0000 (α = 5%). It can be said that company performance has significantly mediated of inflation on company value. Inflation is the continuously increasing of good and services price that will certainly reduce the purchasing power. The decline in purchasing power will impact in sales, company performance, stock prices and ultimately a decrease of company value.

Conclusion

This study gives a different contribution to the analysis of working capital and macroeconomic factors associated with the investment decision on the capital markets compared with previous studies. So this study can add to the existing literature by conducting empirical research on working capital management, macroeconomic, corporate performance, and corporate values. There was limitation in this study related to the sample used in the study is limited to the textile industry sector listed in Indonesia Stock Exchange to publish financial statements in the period of 2014. The consequences of these limitations make the results of this study cannot be used as the basis for generalization.

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