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Global Trade Tensions, Capital Structure, and Firm Value: Evidence from Multinational Companies Listed on the Indonesia Stock Exchange

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Abstract: Global trade tensions are a critical issue with significant implications for multinational corporations. This study aims to analyze the influence of global trade tensions and capital structure on the firm value of multinational corporations listed on the Indonesia Stock Exchange during the 2021–2024 period. The research variables consist of the World Trade Uncertainty Index to represent global trade tensions, the Debt-to-Equity Ratio to capture capital structure, and Tobin's Q ratio to measure firm value. The data were analyzed using multiple linear regression with 48 observations. The results indicate that the World Trade Uncertainty Index has a negative but insignificant effect on firm value, whereas the Debt-to-Equity Ratio has a positive and significant effect. These findings highlight that global trade uncertainty has not been strong enough to suppress the market value of companies, while optimal management of capital structure can enhance firm value. This study provides a theoretical contribution by reinforcing the perspectives of trade-off theory and signaling theory, and offers practical implications for financial managers and investors in designing financing strategies amid global uncertainty.

Keywords: Global Trade Tensions, Capital Structure, Firm Value.

INTRODUCTION

Multinational corporations are key actors in the global economy that play an important role in international trade, cross-border investment flows, and job creation. According to the United Nations Conference on Trade and Development (2020), multinational corporations account for around 80 percent of total international trade, underscoring their contribution to driving global economic growth. Through direct investment, market expansion, and technology transfer, multinational corporations not only accelerate industrialization in host countries but also enhance productivity and competitiveness (Ghosh & Ghosh, 2018; Klein & Wöhler, 2021). On the other hand, their deep involvement in global value chains makes them highly sensitive to changes in trade policy and external shocks.

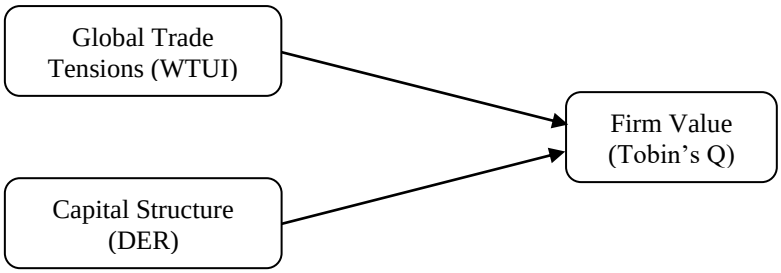
Despite their significant contribution, multinational corporations also face major challenges, particularly due to the rise of global trade uncertainty. The resurgence of protectionism, the trade war between the United States and China, as well as tariff fluctuations and non-tariff barriers have created a high level of trade policy uncertainty (Evenett & Fritz, 2019). Various studies demonstrate that such uncertainty negatively affects investment and triggers financial market volatility (Gulen & Ion, 2016; Baker et al., 2016). Trade uncertainty prompts firms to delay expansion, reduce investment in research and innovation, and adopt more cautious financing decisions (Caldara et al., 2019; Chen, 2023). These effects are particularly pronounced in firms that are highly dependent on global supply chains, such as manufacturing industries reliant on imported raw materials or export-oriented production (Sha, 2025).

In the context of Indonesia, multinational corporations listed on the Indonesia Stock Exchange are particularly vulnerable to these external dynamics. Their high exposure to international trade and global financing makes them more sensitive to changes in international trade policies (Nurhayati et al., 2021). Stock price fluctuations on the Indonesia Stock Exchange have shown significant reactions to shifts in United States–China tariff policies, especially among export-oriented and import-intensive firms (Setiawan, 2020). This indicates that global trade tensions can influence investor perceptions of Indonesian firms' value that are integrated into global supply chains. Therefore, understanding how multinational corporations in Indonesia respond to external uncertainty becomes an important issue, both from an academic and policy perspective.

Beyond external factors, internal corporate decisions particularly capital structure also play a critical role in determining firm value. Capital structure, which reflects the composition of debt and equity, serves as a buffer mechanism against external uncertainty (Myers, 2001). Trade-off theory emphasizes that moderate use of debt can increase firm value through tax benefits, while excessive debt raises bankruptcy risk (Modigliani & Miller, 1958). Furthermore, pecking order theory suggests that firms prefer internal financing first, followed by debt, and lastly equity, while signaling theory highlights that the use of debt may be perceived as a positive signal of a firm's prospects. Thus, capital structure is not merely a financial decision but also a strategic instrument for safeguarding firm value amid global volatility.

However, most previous studies have primarily focused on internal factors in explaining firm value, such as profitability, firm size, and tangible assets (Rajan & Zingales, 1995; Frank & Goyal, 2009). Only a limited number of studies explicitly link external factors such as global trade tensions or trade policy uncertainty with corporate financial decisions in emerging markets. In fact, recent research shows that trade policy uncertainty can increase the cost of capital and affect financing access (Handley & Limao, 2017; Caldara et al., 2020). Moreover, firm value measured by Tobin's Q ratio or abnormal returns has been proven to be sensitive to global policy risks perceived by the market (Pastor & Veronesi, 2012). This gap presents an opportunity to examine how the combination of external and internal factors shapes the value of multinational corporations in emerging markets.

Based on this gap, the present study focuses on multinational corporations listed on the Indonesia Stock Exchange with the objectives of (1) analyzing the effect of global trade tensions on firm value and (2) examining the effect of capital structure on firm value. The urgency of this study lies in providing empirical evidence on how global external shocks interact with internal financial decisions to influence firm value in emerging markets. The findings are expected to enrich the academic literature while also offering practical implications for corporate managers and policymakers in designing risk mitigation strategies and macroprudential policies that strengthen the resilience of the corporate sector.



Source: *Authors*

Figure 1. Conceptual Framework of the Relationship between Global Trade Tension, Capital Structure, and Firm Value

METHODS

This study employs a quantitative approach with an explanatory research design to examine the causal relationship between global trade tensions, capital structure, and the firm value of multinational corporations listed on the Indonesia Stock Exchange during the 2021–2024 period. The explanatory design was chosen as it is appropriate for empirically testing hypotheses and providing objective statistical evidence regarding the influence of external and internal factors on firm value (Gujarati, 2003; Wooldridge, 2010). The research population consists of multinational corporations listed on the Indonesia Stock Exchange during the observation period. A purposive sampling technique was applied based on the following criteria: (1) companies must be consistently listed on the Indonesia Stock Exchange throughout the observation period, (2) actively engaged in international trade, and (3) possess complete publicly accessible financial reports. Based on these criteria, six multinational corporations were selected as the research sample. Although relatively small in number, the sample is considered representative since these firms are directly exposed to the dynamics of global trade (Baker et al., 2016; Chen et al., 2019).

The study utilizes secondary data obtained from company financial reports accessed through the official Indonesia Stock Exchange website (www.idx.co.id), as well as global trade tension data measured using the World Trade Uncertainty Index from worlduncertaintyindex.com. The operational definitions and measurement of variables are summarized in Table 1.

Table 1. Operational Definition and Measurement of Variables

Variable	Type	Indicator	Formula	Data Source / Reference
Global Trade Tensions (X1)	Independent	World Trade Uncertainty Index (WTUI)	An index of global trade uncertainty calculated based on the frequency of trade-related terms in international publications	World Uncertainty Index (Baker et al., 2016)
Capital Structure (X2)	Independent	Debt-to-Equity Ratio (DER)	Debt-to-Equity Ratio = Total Debt / Total Equity	Financial Reports, Indonesia Stock Exchange (Myers, 2001; Frank & Goyal, 2009)
Firm Value (Y)	Dependent	Tobin's Q Ratio	Tobin's Q = (Market Value of Equity + Total Debt) / Total Assets	Indonesia Stock Exchange and IDX stock data (Tobin, 1969; Chung & Pruitt, 1994)

Global trade tensions were measured using the World Trade Uncertainty Index (Baker et al., 2016). Capital structure was proxied by the Debt-to-Equity Ratio following Myers (2001) and Frank and Goyal (2009). Firm value was measured using Tobin's Q ratio, which is widely employed in studies on corporate market value (Tobin, 1969; Chung & Pruitt, 1994).

Data analysis was carried out using multiple linear regression with SPSS to measure the simultaneous effects of independent variables on the dependent variable (Gujarati, 2003). Prior to estimation, classical assumption tests were performed, including normality, multicollinearity, heteroskedasticity, and autocorrelation tests, to ensure model validity. Hypothesis testing included the t-test to examine the partial effects of each variable, the F-test to evaluate the overall model fit, and the adjusted coefficient of determination (Adjusted R^2) to assess the proportion of firm value variation explained by the model. Regression results were presented in terms of coefficients, t-values, p-values, and significance levels, which were subsequently interpreted based on the direction and magnitude of the effects.

It is important to note that although the data technically take the form of panel data, covering multiple firms and time periods, the analysis was conducted using pooled ordinary least squares (OLS) regression through SPSS. Consequently, the findings should be considered preliminary and may be further refined in future research by applying panel regression methods such as the Fixed Effects Model or the Random Effects Model (Baltagi, 2005; Wooldridge, 2010).

RESULTS AND DISCUSSION

Descriptive Statistics

Table 2. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
World Trade Uncertainty Index	48	0.02	37.35	6.3975	12.01297
Debt-to-Equity Ratio	48	0.12	6.49	1.2346	1.53721
Tobin's Q Ratio	48	0.75	10.57	2.7559	2.82259

Source: Research Data

Descriptive statistics were used to provide a general overview of the research data. The results indicate that the World Trade Uncertainty Index has an average value of 6.39, with a minimum of 0.02 and a maximum of 37.35, reflecting considerable fluctuations in global trade uncertainty. The Debt-to-Equity Ratio has an average value of 1.23, with a minimum of 0.12 and a maximum of 6.49, suggesting variations in capital structure across firms. Firm value, measured by Tobin's Q ratio, has an average of 2.75, with a minimum of 0.75 and a maximum of 10.57, indicating substantial differences in market perceptions of firm value.

Classical Assumption Tests

The classical assumption tests confirm that the data satisfy the requirements for regression analysis. The residuals were normally distributed ($p = 0.200 > 0.05$), the variance inflation factor (VIF) values were below 10, indicating no multicollinearity, the Glejser test results showed no heteroskedasticity ($p > 0.05$), and the Durbin–Watson value of 1.609 fell within the acceptable range ($du < d < 4 - du$), indicating no autocorrelation. Therefore, the regression model is considered valid.

Multiple Linear Regression

Multiple linear regression analysis was employed to examine the influence of the World Trade Uncertainty Index and the Debt-to-Equity Ratio on firm value measured by Tobin's Q ratio.

Table 3. Multiple Linear Regression

Variabel	Koefisien (B)	Std. Error	t	p-value
Konstanta	1.228	0.346	3.546	0.001***
WTUI	-0.041	0.021	-1.933	0.060*
DER	1.451	0.166	8.724	0.000***

Note:***p<0.01, **p<0.05, *p<0.10.
Adjusted R^2 = 0.617 | N = 48

Source: Research Data

The regression results indicate that the World Trade Uncertainty Index has a negative coefficient (-0.041) with a p-value of 0.060, implying a negative but statistically insignificant effect on firm value at the 5 percent significance level. This finding suggests that while global trade uncertainty tends to reduce firm value, its impact is not strong enough to be statistically significant.

In contrast, the Debt-to-Equity Ratio has a positive coefficient of 1.451 with a p-value of 0.000, which is statistically significant at the 1 percent level. This finding implies that a higher proportion of debt in the capital structure is associated with higher firm value. The result is consistent with capital structure theory (Myers, 2001; Frank & Goyal, 2009), which posits that debt utilization can enhance firm value through leverage effects up to an optimal threshold.

The adjusted coefficient of determination (Adjusted R^2) of 0.617 indicates that 61.7 percent of the variation in firm value can be explained by the World Trade Uncertainty Index and the Debt-to-Equity Ratio, while the remaining 38.3 percent is influenced by other factors not included in the model, such as profitability, firm size, and macroeconomic conditions. The analysis was conducted using 48 observations derived from six multinational corporations over the study period.

The Effect of Global Trade Tensions on Firm Value

The statistical results indicate that global trade tensions have a negative but statistically insignificant effect on the firm value of multinational corporations listed on the Indonesia Stock Exchange. This finding suggests that although international trade tensions may generate economic uncertainty, their impact on multinational corporations in Indonesia is relatively limited. Several structural factors within the Indonesian economy as well as corporate strategies help explain this condition.

First, market diversification undertaken by multinational corporations serves as an important mitigating factor. These firms do not rely on a single export market but rather allocate their business activities across multiple countries, thereby reducing the direct impact of bilateral trade frictions such as those between the United States and China on overall performance. This is consistent with Bekaert et al. (2014), who emphasize that geographic diversification lowers corporate volatility in emerging markets. Second, hedging strategies against exchange rate fluctuations enable firms to mitigate risks associated with global uncertainty (Bartram, Brown, & Minton, 2010). Third, the relative stability of domestic macroeconomic policies including exchange rate management, fiscal stimulus, and support for priority sectors strengthens the resilience of multinational corporations in Indonesia. Macroeconomic stability, as Aizenman and Lee (2007) argue, is essential in reducing the vulnerability of developing countries to external shocks.

These findings align with several previous studies that demonstrate the limited impact of global trade tensions on firms in emerging markets. Retnasih and Syahda (2025) observe that despite the disruptions caused by the United States–China trade war, its effects on Indonesian industries remain relatively contained, with certain sectors even benefiting from supply chain realignments. Similarly, Wijaya (2022) highlights the role of diversification and hedging strategies in maintaining corporate stability, while Ing (2019) reports that global uncertainty

does not necessarily exert significant influence on Indonesia's trade and investment performance. This is further supported by Cheong, Gu, and Wang (2020), who find that the effects of the United States–China trade war on ASEAN countries vary considerably and are not uniformly significant.

Nevertheless, not all studies present similar findings. Amiti, Redding, and Weinstein (2019) report that the United States–China trade war significantly reduced corporate profitability, particularly in manufacturing firms integrated into global supply chains. These contrasting outcomes suggest that a country's structural context—such as export dependence and industrial composition—shapes corporate sensitivity to global trade tensions. Accordingly, the findings of this study extend the literature by emphasizing the importance of risk mitigation strategies as a key factor in sustaining firm value amid international trade frictions.

From a theoretical standpoint, the results can be explained through New Trade Theory (Krugman, 1979; Helpman & Krugman, 1985), which underscores economies of scale and competitive advantage as sources of multinational corporate resilience. Even when tensions between major economies intensify, firms can adapt by seeking alternative markets and optimizing production efficiency. Furthermore, Internalization Theory (Buckley & Casson, 1976) offers insights into how multinational corporations internalize cross-border business activities to reduce transaction costs and mitigate external uncertainty. Together, these theoretical frameworks explain why the negative effect of global trade tensions on the value of multinational corporations in Indonesia is not statistically significant.

From a policy perspective, the findings underscore the importance of maintaining macroeconomic stability and consistent government support for corporate internationalization strategies. Policies that strengthen the domestic market, improve infrastructure, and foster a conducive business climate will further enhance the resilience of multinational corporations in the face of global trade tensions. For corporate management, the practical implication lies in continuously expanding export market bases and reinforcing risk mitigation strategies, particularly in dealing with dynamic international trade uncertainties (Athukorala, 2020).

This study, however, has several limitations. First, the relatively short observation period may not fully capture the long-term effects of global trade tensions on firm value. Second, the analysis was conducted at an aggregate level across multinational corporations listed on the Indonesia Stock Exchange, without differentiating by industry sector. Since each sector has varying degrees of exposure to international trade dynamics, the results may mask inter-sectoral variations. Third, the research model did not incorporate potential moderating or mediating variables, such as corporate governance, ownership structure, or firm size, which may influence corporate sensitivity to global uncertainty.

Based on these limitations, future research should extend the observation period to capture long-term dynamics, conduct sectoral-level analyses to assess heterogeneous impacts across industries, and incorporate moderating variables such as governance and ownership structures. In addition, cross-country comparative studies, particularly within the ASEAN region, would provide a more comprehensive understanding of the resilience of multinational corporations in responding to global trade tensions.

The Effect of Capital Structure on Firm Value

The findings reveal that capital structure has a positive and significant effect on the firm value of multinational corporations listed on the Indonesia Stock Exchange. This result confirms that an optimal composition of debt and equity can enhance operational efficiency, improve profitability, and ultimately strengthen investor perceptions of corporate prospects. In other words, financing decisions are not merely a technical aspect of financial management but also a strategic determinant of a firm's market value.

Empirically, proportional use of debt provides benefits through tax savings (tax shield) and increases investment capacity without the need to issue new shares, which could potentially cause ownership dilution. This condition is consistent with the findings of Sinaga (2022), Utami (2019), and Moruk (2024), who demonstrate that moderate leverage can enhance firm value. It also aligns with Bartram et al. (2010), who emphasize the importance of risk management in financing structures, as well as Margaritis and Psillaki (2010), who find that leverage improves firm efficiency in countries with well-functioning capital markets.

However, different outcomes have been observed in certain contexts. Abor (2005), in a study of firms in Ghana, reports that excessive leverage reduces firm value due to heightened default risk. Similarly, Chen et al. (2011) stress that the sensitivity of firm value to debt may depend on firm size, industrial sector, and the condition of domestic capital markets. These differences highlight that the relationship between capital structure and firm value is context-dependent: in developing countries with relatively stable financing structures, such as Indonesia, debt can serve as a strategic instrument; whereas in countries with fragile financial systems, the leverage effect may turn negative.

From a theoretical perspective, this study supports the Trade-Off Theory (Modigliani & Miller, 1963; Kraus & Litzenberger, 1973), which emphasizes the balance between the tax benefits of debt and the costs of financial distress. In the context of multinational corporations in Indonesia, moderate use of debt allows firms to gain tax advantages without excessively increasing financial risk. The findings are also consistent with the Pecking Order Theory (Myers & Majluf, 1984), which posits that firms prefer internal financing first, followed by debt, and lastly the issuance of new equity. The use of debt by multinational corporations reflects efforts to maintain managerial control while ensuring cost efficiency. In addition, the Signaling Theory (Ross, 1977) is also relevant, as debt financing decisions may be perceived by the market as a positive signal of management's confidence in long-term growth prospects.

From a practical standpoint, these findings underscore the importance of optimal capital structure management for multinational corporations. Maintaining the debt-to-equity ratio at an efficient level can help maximize market value and attract investor interest. For policymakers, sustaining macroeconomic stability and ensuring corporate access to affordable financing in domestic capital markets remain essential. This is consistent with Aizenman and Lee (2007), who highlight that domestic policy stability enhances corporate resilience against external shocks.

Nonetheless, this study has several limitations. The relatively short observation period may not fully capture the long-term dynamics of capital structure's effect on firm value. Furthermore, the analysis was conducted at an aggregate level without differentiating across industrial sectors, which may obscure sectoral variations in sensitivity to capital structure. Moderating factors such as corporate governance, ownership structure, and firm size were also not incorporated into the model, even though they may influence the relationship between capital structure and firm value.

Therefore, future research may extend the analysis by lengthening the observation horizon, conducting sectoral-level assessments to identify variations across industries, and incorporating moderating variables such as governance and ownership structure. Cross-country comparative studies, particularly within the ASEAN region, would also be valuable in determining whether the positive relationship between capital structure and firm value holds consistently across emerging markets with different financial characteristics

CONCLUSION

This study demonstrates that global trade tensions have a negative but statistically insignificant effect on the firm value of multinational corporations in Indonesia. This result suggests that although international trade uncertainty has the potential to create economic risks,

its impact on firm value can be mitigated through market diversification, risk mitigation strategies, and domestic macroeconomic stability. In contrast, capital structure is found to have a positive and significant effect on firm value. This finding confirms that optimal leverage management enhances operational efficiency, strengthens market perception, and ultimately increases firm value.

From a theoretical perspective, this study contributes to the literature by showing that the relevance of international trade theory and internalization theory in explaining the effects of global uncertainty on firm value is not always evident in the context of emerging markets. Conversely, capital structure theory receives stronger empirical support. From a practical standpoint, the findings highlight the importance of financial managers optimizing capital structure as a strategy to enhance firm value, while also emphasizing the role of policymakers in maintaining macroeconomic stability to strengthen corporate resilience against external shocks.

This study is subject to several limitations, particularly the relatively short observation period and the limited sample size. Therefore, future research is recommended to extend the coverage by including longer observation periods, conducting sectoral analyses, and applying panel regression approaches in order to obtain more robust and comprehensive results.

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