
Stock Price Determinant Through Capital Structure As Intervening Variables In Construction Companies Listed In Indonesian Stock Exchange

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ABSTRACT

Changes in macroeconomic conditions affect various things such as changes in interest rates that have an impact on companies with debt on their capital structure. Likewise, the company's profitability and profit growth can affect the company's capital structure which then affects the stock price, especially in construction companies. This study aims to describe and analyze the influence of interest rate, profit growth and profitability of stock price through capital structure. The sample is construction companies listed in Indonesian Stock Exchange in the 2014-2019 period and the observation is through purposive sampling method. Analytical techniques used are multiple linear analysis and path analysis. The results show that interest rate, profit growth, and profitability affect capital structure. Interest rate and capital structure affect stock price while profit growth and profitability has no effect on stock price. Capital structure mediates the influence of interest rate, profit growth and profitability on stock price.

Keywords: *interest rate, profit growth, profitability, capital structure, stock price*

1. INTRODUCTION

The benchmark interest rate set by Bank Indonesia, often referred to as the 7-Day Repo Rate or BI Rate, was still around 6% at the beginning of 2019. The benchmark interest rate has remained consistent since November 2018 in an effort to stabilize the economy and control the current account deficit and maintain the attractiveness of domestic financial assets. The current account deficit is one of the factors considered by Bank Indonesia in maintaining its benchmark interest rate. This also makes the opportunity to reduce interest rates to be very small despite low inflation conditions and relatively stable exchange rates. In addition, third party funds grow more slowly than the rate of credit growth, so banks need to have attractiveness to stimulate the entry of third-party funds. If interest rates are lowered, then it

is likely that this will trigger a decrease in savings and deposit interest rates so that the growth of third-party funds can be even slower so that it disrupts banking liquidity.

Data from the Financial Services Authority shows that in January 2019 loans grew by 11.97% on an annual basis (yoy), an increase compared to December 2018 of 11.8% (yoy), but that third party funds declined from growth of 6.39% (yoy) in January 2019 when compared to the growth of third party funds in December 2018 which amounted to 6.5% (yoy).

In mid-September 2019, Bank Indonesia decided to reduce its benchmark interest rate or BI 7-Days Reverse Repo Rate (7-DRRR) by 25 bps to 5.25% in response to the policy of the Central Bank of the United States that cut its benchmark interest rate (Fed Fund Rate / FRR). Throughout this year Bank Indonesia has reduced its benchmark interest rate three times or by 0.75%. The deposit facility rate was reduced by 25 bps to 4.5%, as well as the lending facility by 5 bps to 6%. The current interest rate policy is carried out by taking into account inflation forecasts that are expected in 2019 to be controlled and below 3.5%.

The decline in the benchmark interest rate is certainly beneficial for the industrial sector, as well as the construction sector whose capital structure is dominant using debt, which is certainly highly affected by policies such as the determination of the Bank Indonesia's benchmark interest rate. This condition is likely to provide an attractive positive impact for investors in the construction sector, which is possible to boost interest in construction company shares due to the potential increase in profits due to lower interest rates. It makes the companies in the construction sector pay interest at a smaller rate than before, so that profits available to shareholders will increase. This can stimulate buying interest in construction company shares which is predicted to increase the stock prices of companies in the construction sector.

The movement of the location of the capital of Indonesia to the island of Borneo is estimated to open up opportunities for construction companies, especially BUMN Construction, to build physical facilities such as infrastructure in the new capital region. This will certainly increase the opportunity for profit growth of construction sector companies which are allegedly able to increase the stock prices of construction companies.

The company's profit, especially construction state-owned enterprises, has a positive tendency throughout 2015 to 2018. The majority of construction companies' profit growth is in a positive and continuing rise. This increase in profit can be used as a reference in making investment decisions for construction company shares, especially construction state-owned enterprises. Positive and ever-increasing profits allow the company to adjust its capital structure, which was dominantly filled with debt, when greater profit available, profits can be used to fund the company's capital needs and investment opportunities. This means that the ratio of capital using debt goes to smaller. This change in capital structure can be beneficial and triggers positive sentiment for construction company stock investors because they get higher opportunity for greater dividends as a result of declining interest payments which causes the remaining profits to increase.

Reducing lending rates as a response to the decline in Bank Indonesia benchmark interest

rates, profitability, profit growth is considered to affect the capital structure of construction companies so that it affects the stock prices of companies in the construction sector. This research will discuss the influence of macroeconomic factors, profitability, and growth earnings to stock prices with capital structure as an intervening variable in construction sector companies listed on the Indonesian Stock Exchange.

Based on the background of the study that has been described, the main problem of this study is how the reference interest rate, profit growth, and profitability influence partially on stock prices with capital structure as an intervening variable in the period 2014 to 2019.

The purpose of this study was to determine the effect of the benchmark interest rate, profit growth, and profitability on stock prices partially with capital structure as an intervening variable in the period 2014 to 2019.

This research is useful for companies to provide information and considerations for information retrieval related to profitability, interest rates, profit growth, and capital structure that will affect the company's stock price which in turn affects the welfare of shareholders. In addition, for researchers, this study is useful to add theoretical insight about the effect of the benchmark interest rate, profit growth and profitability partially on stock prices with capital structure as an intervening variable in the period 2014 to 2019. For investors, this research can be taken into consideration in investment decision making especially in the construction sector.

2. THEORETICAL REVIEW

The Capital Structure

According to Horne and Wachowicz (2007) capital structure is the proportion of long-term funding consisting of debt and equity. While Brigham and Houston (2011) explained that the capital structure is a combination of debt, share, preference, and common stock. The capital structure is a mix of various funding sources used by companies to fund their operational activities. The capital structure consists of long-term funding sources such as long-term debt, share capital, and preferred shares.

According to Hasudungan, Dwiatmanto, and Zahroh (2017), the capital structure theory consists of 3 (three) approaches, including:

- a. The traditional approach, which assumes that if there is no taxes, changing the capital structure by maximizing the use of long-term debt and minimizing the use of long-term debt and minimizing the use of own capital (retained earnings and shares) can increase the value of the company.
- b. Modigliani Miller Approach (MM), which shows that the traditional approach is incorrect. There is possibility of the emergence of an arbitrage process that will make the share price (company value) that does not use debt ultimately the same. In the end, Modigliani Miller (MM) supports the opinion of the traditional approach. In a perfect capital market condition and considering the existence of taxes, funding decisions become relevant.

This is because debt interest can usually be used to reduce income taxes.

c. Pecking Order Theory Approach, which explains why companies will determine the hierarchy of the most preferred source of funds. This theory bases itself on asymmetric information which shows that management has more information than public financiers. The Pecking Order Theory is briefly explained as follows:

- Companies like internal funding
- Companies will try to adjust the dividend payout ratio with the investment opportunities encountered
- Dividend payments tend to be constant and fluctuations in profits earned result to internal funds sometimes over or under investment

Companies will issue the safest securities first. The issuance of securities will start from the issuance of bonds that can be converted into equity, and then issue new shares.

Stock and Stock Price

According to Hasudungan, Dwiatmanto, and Zahroh (2017) shares are the rights of a portion of a company that can be interpreted as evidence or capital participation in a company, so shares can be said as proof that investors own a company. Share price is the price at the Stock Exchange at a certain time determined by the demand and supply of shares by capital market players. With the pecking order theory approach as the basis for funding decisions that explain as long as the internal approach is sufficient for the company's internal costs, the use of external funding sources in the form of debt and equity is not used. Nasarudin et al (2019) described that two factors can influence stock price movements, namely internal factors (such as financial performance including profitability, firm size and corporate social responsibility disclosure) and external factor.

Interest Rates and Capital Structures

The interest rate is generally used as a measure of the capital cost that must be incurred to obtain funds from the owners of the capital (creditors). This interest rate is called loan interest. Therefore, interest is actually the price available to be paid by people who need money (debtors). This interest rate is formed in the money market and capital market. An increase in SBI interest rate will affect lending rates. When credit interest rates increase, companies are usually reluctant to use debt to finance the company's operations. Companies will tend to use funding internally rather than using external sources of funds. When interest rates increase, the proportion of debt will also decrease. Companies that tend to use funding internally instead of using external sources of funds are in accordance with the Pecking-Order Theory statement (Mahanani, 2017). From a company perspective, interest is a component of capital costs. It means that rising interest rates are an additional cost burden that must be borne by the company. Thus, when interest rates increase, management will respond by adjusting the level of capital structure to reduce the financial burden that must be paid. According to Puspita and Sayu (2019) the interest rate is the ratio of the return on a number

of investments as a form of reward given to investors. If economic growth is slow and company profits decline, then the company should reduce its debt because it will have difficulty paying interest, and vice versa. Puspita and Sayu (2019) show that interest rates have a negative and significant effect on capital structure.

Profitability and Capital Structures

Profitability shows the company's ability to generate profits which can then be used to finance its financial needs and for company's growth. Companies prefer to use internal funding because they are cheaper. This explanation shows that there is a negative relationship between profitability and the use of debt. Tijow et al (2018) stated that profitability has a negative effect on capital structure. This indicates that the greater the level of profitability obtained by the company, the company's capital structure that comes from debt will decrease. This negative effect is in accordance with the pecking order theory which states that companies tend to prioritize the use of their own capital as a source of internal funding. Companies with high profitability have adequate internal funds so that the company will use internal funds.

3. PREVIOUS RESEARCH

Purnamawati and I Gusti Ayu (2016) conducted a study on the effect of capital structure and profitability on stock prices both partially and simultaneously on manufacturing sector companies in Indonesia using path analysis which showed that capital structure has a positive influence on stock prices, as well as profitability gives a positive influence on stock prices.

Menon and Vidhyasagara (2016) conducted a study on the relationship between capital structure and stock prices in companies listed on the Muscat Securities Market (MSM) in three main sectors. The capital structure is measured by the Debt Equity Ratio where adding the amount of debt to the capital structure will negatively affect the stock price. The results of the study indicate that managers need to pay attention that decision making on capital structure can have a significant influence so that every decision regarding capital structure needs to be taken with capital structure needs to be taken carefully so as not to negatively affect the value of the company.

Safitri, Siti and Nila (2014) conducted a study on the effect of the capital structure and profitability on the value of retail companies listed on the Indonesian Stock Exchange. The capital structure is proxied by Debt to Equity Ratio and Debt to Total Asset Ratio, profitability is measured by Net Profit Margin, Return on Equity, Return on Assets and Earning per Share. The company's value is proxied by closing price, price to book value and Tobin's Q. The capital structure has a negative and significant effect on profitability which means the decreasing use of debt is followed by an increase in profit. Profitability is proven to have a positive and significant effect on firm value. The capital structure is also proven to have a significant and negative effect on the value of the company.

Pratiwi and Monica (2019) conducted a study on the effect of capital structure on stock prices

with company size as moderation and the property and real estate sector as the population. The results showed that the capital structure had no effect on stock prices and the capital structure had no effect on stock prices that were moderated by company size.

Raharjanti and Rani (2017) conducted a study o the capital structure and ownership structure of stock prices. The results of their research show that capital structure does not affect stock prices. Hasudungan, Dwiatmanto, and Zahroh conducted a study on the effect of capital structure and profitability on stock prices. The results of their study indicate that there is a simultaneous influence of all these variables on stock prices. The debt ratio as measured by Debt Ratio has insignificant and positive effect on stock prices. In addition, this study shows that earnings per share has a positive and significant effect on stock prices.

Ircham, Siti, and Muhammad (2014) conducted a study on the effect of capital structure (Debt Equity Ratio and Debt to Assets Ratio) and profitability (earnings per share and return on equity) on stock prices. The results of the study prove that all variables have a simultaneous effect on stock prices. Partially, the Debt Equity Ratio, Debt to Assets Ratio and earnings per share have dominant influence on stock prices.

Dira and Ida Bagus (2014) conducted a study on the effect of capital structure, liquidity on earnings growth, and firm size on earnings quality. The results of the research prove that capital structure, liquidity, and earnings growth have no effect on earnings quality in manufacturing companies, while company size has a positive effect on earnings quality.

4. RESEARCH FRAMEWORK AND HYPOTHESIS

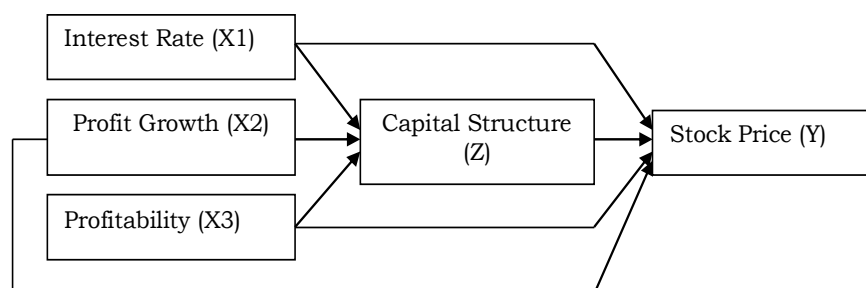


Figure 1. Research Framework

Based on the above research framework, hypotheses can be arranged as follows:

H1: Interest rates affect the capital structure

H2: Earnings growth affects the capital structure

H3: Profitability affects the capital structure

H4: Capital structure influences stock prices

H5: Interest rates affect stock prices

H6: Earnings growth affects stock prices

H7: Profitability affects stock prices

H8: Capital structure mediates the relationship between interest rates and stock prices

H9: Capital structure mediates the relationship between earnings growth and stock prices

H10: Capital structure mediates the relationship between profitability and stock prices

5. RESEARCH METHODOLOGY

Operationalization of Variables

The variables used in this study were 5 (five) variables consisting of 3 (three) independent variables, 1 (one) intervening variable and 1 (one) dependent variable. Each research variable is operationally explained as follows:

a. The Interest Rate

The interest rate used in this study is the Bank Indonesia benchmark rate or the BI 7-Days Reverse Repo Rate. The data used is taken by the average BI 7-Days Reverse Repo Rate for each quarter from the first quarter of 2014 to the third quarter of 2019.

b. Return on Equity (ROE)

Return on Equity (ROE) is a profitability ratio that is used to measure the company's ability to obtain profits available to shareholders from the equity owned by the company. In this study, Return on Equity (ROE) is calculated using the following formula:

$$ROE = \frac{\text{Profit after tax}}{\text{Owner's equity}}$$

c. Profit Growth (PG)

Profit growth is measured as an increase in the number of corporate profits as measured by the difference from the company profits in a certain period to the company profits in the previous period.

$$PG = \frac{\text{Quarterly profit } t - \text{Quarterly profit } t-1}{\text{Yearly profit } t-1}$$

d. Debt to Equity Ratio (DER)

Debt to Equity Ratio (DER) is a comparison between debt and equity showing the company's ability to settle long-term obligations. Debt to Equity Ratio (DER) is calculated using the following formula:

$$DER = \frac{\text{Total Amount}}{\text{Owner's equity}}$$

e. Stock Prices

The stock price used in this study is the average closing price of the stocks in each quarter from the first quarter of 2014 to the third quarter of 2019.

Populations and Samples

The populations used in this study are all companies listed on the Indonesian Stock Exchange (IDX), while the samples used in this study are companies that are included in the construction sector which are listed on the Indonesian Stock Exchange from the first quarter of 2014 to the third quarter of 2019 that use debt in their capital structure and have a positive profit in the study period

Data Analysis Techniques

The method to collect the data used in this study is library research and documentation. The analytical method used is the classical assumption test analysis, goodness of fit test, path analysis, and sobel test using eviews 9. The classic assumption test gradually starts from normality, multicollinearity, heteroscedasticity, and autocorrelation. After all the classic assumption tests have been met, then proceed with the goodness of fit test. Path analysis is used to test the hypotheses to determine the effect of interest rates, profit growth, and profitability on capital structure directly. Next, it is used to determine the effect of capital structure on stock prices. Finally, it is to find out the influence of interest rates, profit growth, and profitability on stock prices through capital structure.

6. RESULTS AND DISCUSSIONS

Results of Regression 1 (Effect of Interest Rates (X1), Profit Growth (X2) and Profitability (X3) Against Capital Structure (Z)).

Adj R Square 0.796 obtained means that in the determination test of the dependent variable, Capital Structure (Z) is influenced by the independent variable Interest Rate (X1), Profit Growth (X2), and Profitability (X3) by 79.6%

Table 1						
The Determination test for Regression Model 1						
Model Summary^b						
Model	R	R Square	Adjusted R Square	R	Std. Error of the Estimate	Durbin-Watson
1	.935 ^a	.813	.796		1.32153	2.175

a. Predictors: (Constant), x3, x1, x2

b. Dependent Variable: z

Source: Processed Data (2020)

Table 2						
The F-test for Regression Model 1						
ANOVA^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	36.324	3	12.108	6.933	.000 ^b
	Residual	286.418	164	1.746		
	Total	322.742	167			

a. Dependent Variable: z
b. Predictors: (Constant), x3, x1, x2

Source: Processed Data (2020)

At Sig.F, a result of $0.000 < 0.05$ obtained means that the independent variables for Interest Rate (X1), Profit Growth (X2), and Profitability (X3) simultaneously/together have an influence on the dependent variable Capital Structure (Z) significantly.

Tabel 3						
T-Test for Regression Model 1						
Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.961	.505		1.901	.059
	x1	.190	.081	.174	2.345	.020
	x2	.028	.014	.155	2.050	.042
	x3	.067	.019	.262	3.442	.001

a. Dependent Variable: z

Source: Processed Data (2020)

From the coefficient table above, Sig. $t < 0.05$ means that the independent variables Interest Rate (X1), Profit Growth (X2), and Profitability (X3) have a significant influence on the dependent variable, namely Capital Structure (Z).

In B, all independent variables have a positive influence, meaning that when Interest Rate (X1), Profit Growth (X2), and Profitability (X3) have an increase, it will have an impact on the dependent variable namely Capital Structure (Z), conversely, if the independent variable decreases then the dependent variable will decrease.

Results of Regression 2 (the Effects of Interest Rates (X1), Profit Growth (X2), Profitability (X3), and Capital Structure (Z) on Stock Prices (Y).

Adj R Square obtained 0.697 means that in the determination test the dependent variable Stock Price (Y) is influenced by the independent variable Interest Rate (X1), Profit Growth (X2), Profitability (X3) and Capital Structure (Z) of 69.7%.

The Autocorrelation Test on the basis of measurements with the indicator $[DU < DW < 4-DU]$ obtained $1.7841 < 2.090 < 2.2159$ means that the data used have no presence of Autocorrelation

Table 4					
The Determination Test of Regression Model 2					
Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.860 ^a	.714	.697	853.52529	2.090
a. Predictors: (Constant), z, x2, x1, x3					
b. Dependent Variable: y					

Source: Processed Data (2020)

Table 5						
The F-test for Regression Model 2						
ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	54365402.212	4	13591350.553	18.656	.000 ^b
	Residual	118746383.860	163	728505.422		
	Total	173111786.071	167			
a. Dependent Variable: y						
b. Predictors: (Constant), z, x2, x1, x3						

Source: Processed Data (2020)

At Sig.F, a result of $0.000 < 0.05$ obtained means that the variables Interest Rate (X1), Profit Growth (X2), Profitability (X3), and Capital Structure (Z) simultaneously/together have an influence on the dependent variable Stock Price (Y) significantly.

Table.6						
T-test for Regression Model 2						
Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1200.067	329.932		3.637	.000
	x1	-121.626	53.110	-.152	-2.290	.023
	x2	6.683	8.985	.050	.744	.458
	x3	23.058	12.923	.124	1.784	.076
	z	383.827	50.433	.524	7.611	.000
a. Dependent Variable: y						

Source: Processed Data (2020)

From the coefficient table above, Sig. $t < 0.05$ obtained means that the variables Interest Rate (X1) and Capital Structure (Z) each has a significant influence on the variable stock price (Y). The Profit Growth (X2) and Profitability (X3) variables have sig. equal to $0.458 > 0.05$ meaning that the variables Profit Growth and profitability do not have a significant effect on the independent variable Stock Price.

In column B, the variable Z has a positive effect, meaning that when the intervening variable has an increase, it will have an increase in the dependent variable, otherwise if the intervening variable decreases, the independent variable will decrease. All independent variables have a negative influence meaning that when the independent variable has an increase, the dependent variable has a decrease. Otherwise, if the independent variable decreases, the dependent variable will increase.

The Sobel Test

The following are the results of the Sobel test of variable interest rates (X1) on the Share Price (Y) through the Capital Structure (Z)

Tabel 7
The Sobel Test [X1 – Z – Y]

Input:		Test statistic:	Std. Error:	p-value:
a	0.19	Sobel test: 2.24162381	32.53317061	0.0249857
b	383.827	Aroian test: 2.22415833	32.7886415	0.02613779
s _a	0.081	Goodman test: 2.25950732	32.27567766	0.02385185
s _b	50.433	Reset all	Calculate	

Source: processed Data (2020)

Variable Z (Capital Structure) is able to mediate variable X1 (Interest Rate) because the Sobel Test results are $2.24162 > T$ table which is 1.6539.

The following are the results of the Sobel test of the variable Profit Growth (X2) on the Share Price (Y) through the Capital Structure (Z)

Table 8
The Sobel Test [X2 – Z – Y]

Input:		Test statistic:	Std. Error:	p-value:
a	0.028	Sobel test: 1.93432397	5.55602688	0.05307331
b	383.827	Aroian test: 1.91889154	5.60071051	0.05499806
s _a	0.014	Goodman test: 1.95013484	5.51098096	0.05116005
s _b	50.433	Reset all	Calculate	

Source: processed Data (2020)

Variable Z (Capital Structure) is able to mediate the X2 variable (Profit Growth) because the Sobel Test result is $2.24162 > T$ table which is 1.6539.

The following are the results of the Sobel test variable Profitability (X3) on Stock Prices (Y) through the Capital Structure (Z).

Table 9
The Sobel Test [X3 – Z – Y]

Input:		Test statistic:	Std. Error:	p-value:
a	0.067	Sobel test: 3.19955391	8.03749826	0.0013764
b	383.827	Aroian test: 3.17705535	8.09441642	0.00148779
s _a	0.019	Goodman test: 3.22253732	7.98017414	0.00127061
s _b	50.433	Reset all	Calculate	

Source: processed Data (2020)

Variable Z (Capital Structure) is able to mediate variable X3 (Profitability) because the Sobel Test result is 2.24162 > T table, which is 1.6539.

Effects of Interest Rates, Profit Growth, and Profitability on Capital Structure

From the results of this study, it was found that interest rates, profit growth, and profitability have a positive effect on the company's capital structure. This shows that if the benchmark interest rate increases, it also increases the capital structure of construction companies proxied by the DER ratio, meaning that even though the benchmark interest rate increases, construction companies will continue to use debt as a source of long-term capital due to the potential benefits that might be obtained by the company by running a new project funded from the debt.

On the other hand, profit growth and increased profitability also improve the capital structure of construction companies, which means that construction company debt will also increase along with the increase in profit growth and profitability of the company. This shows that the construction business sector is still a profitable business and has good profit growth potential nowadays. Besides, the development of the construction business in Indonesia is still supported by funded-with-debt capital which is still considered as one of the capital sources with the smallest costs for the construction business when compared to other capital sources.

The Effects of Interest Rates, Profit Growth and Profitability Capital Structure on Stock Prices

From this study, it was found that the stock prices of construction companies are influenced by the benchmark interest rates and capital structure of construction companies, while profit growth and profitability do not significantly affect changes in the stock prices of construction companies.

This shows that investors do not consider profit growth and profitability in supporting their

investment decisions in the construction industry, but rather consider changes in interest rates and capital structure in the investment decision making process in the construction industry. In this case, an increase in the benchmark interest rate will reduce the share prices of construction companies, which means that investors assume that if the construction company has a dominated-by-debt capital structure, then an increase in the benchmark interest rate will affect the running of the business and lower the company's profit margins which ultimately reduce net profit which will be distributed as dividends. This creates negative investor sentiment which reduces the price of shares of construction companies.

The capital structure of a construction company which is proxied by the use of debt (DER) has a positive effect on the stock price of a construction company, meaning that if the debt increases, the stock price of the construction company also increases. The positive attitude of investors, which is characterized by an increase in stock prices, can happen if investors consider the increase in debt as a signal of potential projects in debt-funded construction companies, which is possible to be one capital source at a lower cost compare to the other long-term capital sources.

7. CONCLUSION

The construction sector generally has debt with a composition that is greater than its own capital, so that changes in interest rates will affect the capital structure and share prices of state-owned construction companies, as well as profitability and profit growth that affect the outward use of capital in capital structure which ultimately affects the company's stock price. From the results of this study, it can be applied practically in construction companies, that in determining the optimal capital structure. The results of this study show that changes in interest rates, profit growth, and profitability of companies in the construction sector can have a positive effect on changes in companies' capital structure. Meanwhile, the stock prices of construction companies in the Indonesian capital market are negatively affected by changes in interest rates, so when the benchmark interest rate decreases, this will be positively welcomed by potential investors, thereby affecting the increase in construction company stock prices. In addition, changes in stock prices of construction companies are also strongly influenced positively by changes in the capital structure in construction companies. A capital structure that is marked by an increase in debt, not in equity, will increase the stock price of construction companies.

For construction companies, to determine the optimal capital structure that can maximize the company value, they need to pay attention to the current macroeconomic conditions such as changes in the benchmark interest rate set by Bank Indonesia. Profit growth and profitability of the company can also affect the capital structure marked by the use of debt in the company construction, so it needs to be considered in the company decision-making to determine the optimal capital structure. In addition, the company needs to consider that the ability to manage its capital structure is a matter that is highly considered by investors in investment decisions for stocks in construction companies, in addition to changes in the benchmark interest rate.

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