

Analysis of the Effect of Capital Structure, Profitability, Liquidity and Growth on Capital Gain Stocks with Inflation as A Moderating Variable in Construction Companies Listed on The Indonesia Stock Exchange

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ABSTRACT

This study aims to determine the effect of capital structure, profitability, liquidity and growth on capital gain stocks. In addition, this study also uses a moderating variable, namely inflation. So that the other goal to be achieved in this study is to find out whether inflation can be used as a moderating effect of capital structure, profitability, liquidity and growth on capital gain stocks in Construction Companies listed on the Indonesia Stock Exchange. The nature of this research is an explanatory descriptive quantitative approach. This study uses secondary data accessed through the official website of the Indonesia Stock Exchange (IDX) at www.idx.co.id and Bank Indonesia (BI) at www.bi.go.id. The determination of the sample in this study was carried out using a purposive sampling method. This method it can be seen that the sample of this research is as many as 21 Construction Companies listed on the Indonesia Stock Exchange. The data analysis technique used in this study is panel data regression analysis and interaction testing conducted with the help of software eviews. The results in this study found that capital structure, profitability and growth partially have a positive and significant effect on capital gain stocks in Construction Companies listed on the Indonesia Stock Exchange. Liquidity has a negative and significant effect on capital gain stocks. Other findings show that inflation is not a moderating

variable in the effect of capital structure, profitability, liquidity and growth on capital gain stocks.

Keywords: Capital Structure, Profitability, Liquidity, Growth, Capital Gain Stocks, Inflation

INTRODUCTION

Indonesia's economic growth in the last few years is at the national standard in that there are several sectors that affect the growth of the Indonesian economy, one of which is the construction sector, which is an activity that results in the form of a building/construction that integrates with the place of domicile. The construction sector has a very significant role in national economic development because of the large contribution of the sector to the growth of other business sectors. The development of the construction sector, both fresh and also developing, will support the creation of better social and economic infrastructure so that it can spur the growth of other economic sectors.

In Indonesia, the role of the construction sector in national economic development can be seen from its contribution to the value of construction gross revenue in 2017 the value of gross

income is estimated to have increased by 13.67% compared to 2016. The largest gross income in 2017 was in Java, which was 64.59% of total revenue, then followed by the island of Sumatra, amounting to 17.57%. This shows that Java Island still dominates the construction sector, in line with the increase in the value of gross income, the value of expenditure (the cost of building materials and others) is also expected to increase by 11.3% in 2017.

Even though economic growth which is driven by the construction sector is quite large, it is classified as not yet high quality economic growth because it tends to be capital intensive and technology intensive, making it unable to encourage economic growth in several other lines such as not being able to involve small contractors and not being able to absorb the maximum workforce. This situation is supported by Gapensi data (National Construction Services Association) which states that the number of contractors has decreased by 37 thousand companies in the last 3 years. Second, the construction sector's employment absorption has continued to decline 1.17 percent (1.08 million people) from 6.72 percent (8.14 million people) as of August 2017 to 5.55 percent (7.06 million people) as of February 2018. This caused anomalies in the construction sector on the one hand to have a high enough contribution to economic growth but on the other hand had an index low business tendencies.

Furthermore, based on data compiled from the Indonesia Stock Exchange (IDX), until the end of 2018, the average profit of the company grew by 12% throughout the year. However, this was not accompanied by our capital market which actually recorded a 2.5% weakening. There was a condition where the company's profit rose, but the share price actually dropped. One of the sectors that experienced the most significant price decline was the construction sector, for example, in 2018, shares of PT Waskita Karya (Persero) Tbk.

had experienced a price decline of up to 55% from Rp3,150 to Rp1,415.

In fact, this company recorded a very large profit growth in a period of 5 years, namely CAGR (Compound Annual Growth Rate) of 65% and, this decline was not only experienced by WSKT, but also experienced by construction companies owned by state-owned enterprises (SOEs) others, namely PT Wijaya Karya (Persero) Tbk. (WIKA), PT PP (Persero) Tbk. (PTPP), and PT Adhi Karya (Persero) Tbk. (ADHI). There are several narratives that cause this decline to occur such as high debt ratios, very tight liquidity, growth and inflation which are a problem for construction companies.

The existence of anomalous conditions in the construction sector such as this is important to know the actual condition of the company and to see the actual performance of the company can be informed in the financial statements. The information is presented through the company's financial statements prepared in accordance with accounting principles and reflects the financial performance of the issuers indicated by financial ratios and in this financial report we can obtain earnings information that aims to measure the success or failure of the business in achieving the stated operating objectives.

For companies in the construction sector to be able to make a profit, the company must carry out operational activities if the company has resources (funding) that can support the company's operational activities, for example, from capital and assets, for construction companies that have gone public, they will use debt in the form of shares as a source of funding in its capital structure. The decision to use debt in the company's capital structure is very important to note.

Capital gain is a profit received because of the difference between the selling price and the purchase price of shares of an investment instrument. Capital gains are highly dependent on the market price of investment instruments, which

means that investment instruments must be traded on the market.

To obtain maximum capital gain, an investor must be able to analyze the company's financial statements well so that it makes decision making easier by analyzing capital structure. Brigham & Houston (2006:17) suggest "the higher the risk of using more debt, the more likely it is to reduce stock prices". Decline in stock prices will result in a decrease in the value of capital gains.

Profitability that Sudana (2011:22) argues that "return on assets (ROA) shows the ability of a company to use all of its assets to generate profits after tax". If ROA is increasing, then the company's performance is also getting better, because the rate of return is increasing (Ang, 1997:33).

Likewise with analyzing liquidity, Kasmir (2010:134) states that "the current ratio is used to measure the company's ability to pay short-term liabilities or debt that are due immediately when billed as a whole". The greater current ratio shows the company's ability to meet its operational needs, especially working capital, which is very important to maintain the company's performance, which in turn affects stock prices.

Company growth is also very important to note because companies that are in a state of development will dominantly reinvest the profits obtained, the company does not provide dividends to investors so investors only gain profits from the sale of shares and to obtain maximum capital gains, investors must pay attention to the rate of inflation because the sector construction is very sensitive to macroeconomic indicators such as inflation.

So, we need an observation that is strong enough to be used as a guide in investing safely. Also investors must always be forward looking, which means investors are always anticipating what will happen in the future. The strength and accuracy of the analysis conducted by investors influences the size of the profits to be received. The

strength of this analysis will provide information to investors, about the most appropriate time to buy certain shares and when to sell the shares back to the market.

LITERATURE REVIEW

2.1 Capital Structure

Capital structure refers to funding companies that use long-term debt, preferred stock or shareholder capital. Basically the capital structure is a combination of debt and equity in the company's long-term financial structure that better describes the target composition of debt and long-term capital of a company (Berstein and Wild 1998 in Sugiarto, 2009:2).

2.2 Profitability

Profitability is also a factor influencing capital structure. Companies with high rates of return on investment use small loans. High rates of return make it possible to finance most of the funding needs with the funds generated (Heriyani, 2011).

2.3 Liquidity

Liquidity shows the company's ability to meet short-term financial obligations on time or the company's ability to provide cash or cash equivalents, as indicated by the size of current assets, i.e. assets that are easily converted into cash which include cash, securities, receivables and inventories. According to Gitman (2009) liquidity ratios measure a company's short-term ability to pay obligations that are due and to meet unexpected cash needs.

2.4 Growth

The company's growth is expected by the company's internal parties, because good growth gives a sign for the company's development. Growth is a company asset where assets are assets used for company operational activities. The more rapid growth of a company in generating profits, the greater the expenditure needed to finance the company's growth, so it must limit dividends in order to save funds in the company for investment growth (Priyo, 2013).

2.5 Capital Gain Stocks

Capital gain is the difference between the purchase price and the selling price of the stock. Capital gains are formed by trading shares in the secondary market. For example, an investor buys a telkom stock (TLKM) at a price of Rp2000 and then resells it at a price of Rp2500 per share, then the investor gets a capital gain of Rp500 for each share he sells.

Generally investors with short-term orientation pursue profits through capital gains. Investors like this can buy shares in the morning, then sell it in the afternoon if the stock has increased (Darmadji, 2006). Realized returns can be calculated using the total return formula. Total return consists of capital gain (loss) and yield (Hartono, 2015:264).

2.6 Inflation

If inflation rises, people will pay attention to real resources and reduce the money they hold. In a taxation system that requires people to pay higher taxes if their nominal income rises automatically inflation will increase the average tax rate of the people (Samuelson, 1994). With the rising inflation of the tax collection system falling apart, the government came to a situation that pushed for greater revenue (Dornbusch, 1993).

Inflation can cause disruption to economic stability where economic actors are reluctant to speculate in the economy. In addition, inflation can also worsen the level of public welfare due to the general decline in public purchasing power due to rising prices. In addition, the income distribution is getting worse because not everyone can adjust to inflation. Finally, people no longer want to save money. The value of money has fallen so sharply that it wants to be exchanged for goods. The velocity of money is getting faster, so prices are increasing in an accelerated manner.

RESEARCH METHODS

3.1 Types and Nature of Research

The type of data used in this study is secondary data. This research uses a quantitative descriptive approach. The

nature of this research is explanatory descriptive. Exploratory is a study conducted by explaining the symptoms caused by an object of research and aims to explain the causality relationship.

3.2 Research Location and Time

This study uses secondary data accessed through the official website of the Indonesia Stock Exchange (IDX) at www.idx.co.id and Bank Indonesia (BI) at www.bi.go.id.

3.3 Population and Sample

The population of this study are all construction sector companies listed on the Indonesia Stock Exchange from 2014 to 2018. In the process of taking a sample the purposive sampling method was used. Based on these criteria, the sample studied amounted to 21 companies from a total population of 81 companies. The number of years of observation used in this study is 5 years.

3.4 Panel Data Regression Model

Panel data regression model is an analysis model that uses combined data between time series data and cross section data. This regression model was chosen by several researchers to support research with limited data. In addition this model has advantages because it has more parameters.

In this study a fixed effect model regression analysis model was used. The method used in this study is the panel data regression model. Interaction testing conducted with the help of software reviews.

RESULT

Statistical t Test (Partial)

The t test statistic basically shows how far the influence of one independent variable individually in explaining the dependent variable.

Table 1. Results of t Test (Partial)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.724633	0.649142	-1.116294	0.2676
X1	0.378965	0.109646	3.456256	0.0009
X2	0.249938	0.091402	2.734490	0.0077
X3	-0.000314	0.000133	-2.365465	0.0204
X4	0.211838	0.082090	2.580548	0.0117

Source: Results of Data Processing with Eviews 9

Based on Table 1, the results of the t test stated that the capital structure, profitability, liquidity and growth partially proved to have a significant effect on capital gains.

The following detailed explanation of the results of the t test in this study:

1.Capital structure (X_1) has a significance value of t of $0.0009 < 0.05$, meaning that the capital structure partially has a significant effect on capital gain stocks. In addition, it can also be seen that the coefficient value of the capital structure (X_1) is 0.379. The positive value of unstandardized coefficients B shows that there is a positive relationship between capital structure (X_1) and capital gain stocks (Y). So it can be seen that the capital structure has a positive and significant effect on capital gain stocks.

2.Profitability (X_2) has a significance value of t $0.0077 < 0.05$, meaning that partial profitability also has a significant effect on capital gain stocks. In addition, it can also be seen that the coefficient of profitability (X_2) is 0.250. The positive value of unstandardized coefficients B shows that there is a positive relationship between profitability (X_2) and capital gain stocks (Y). So it can be seen that profitability has a positive and significant effect on capital gain stocks.

3.Liquidity (X_3) has a significance value of t $0.0204 < 0.05$, meaning that liquidity partially has a significant effect on capital gain stocks. In addition, it can also be seen that the value of the liquidity coefficient (X_3) is -0.0003. This negative unstandardized coefficients B value indicates that there is a negative relationship between liquidity (X_3) and capital gain stocks (Y). So it can be seen that liquidity has a negative and significant effect on capital gain stocks.

4.Growth (X_4) which has a significance value of t $0.0117 < 0.05$, so that growth is also proven to have a significant effect on capital gain stocks. In addition, it can also be seen that the value of the growth coefficient (X_4) is 0.212. The positive value of unstandardized coefficients B shows that

there is a positive relationship between growth (X_4) and capital gain (Y). So it can be seen that growth has a positive and significant effect capital gain stocks.

Moderating Test

The relationship between the independent variable and the dependent variable, there is a possibility that it can be influenced by other variables that are not included in the statistical model, this variable is called a moderating or moderating variable.

Moderating variables are independent variables that can strengthen or weaken the relationship between independent variables to the dependent variable. The moderating variable used in this study is inflation. To see whether inflation can be used as a moderating variable in this research model, it can be seen based on its interactions with the research model as described in the following table.

Table 2. Results of Moderating Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1_Z	-1.044949	0.761132	-1.372888	0.1739
X2_Z	0.547384	1.054078	0.519301	0.6051
X3_Z	-0.000734	0.001140	-0.644494	0.5212
X4_Z	-0.962564	0.944871	-1.018726	0.3116

Source: Results of Data Processing with Eviews 9

Based on the table above, it can be seen that each interaction between the moderating variables is inflation with each independent variable, namely capital structure, profitability, liquidity and growth to capital gain stocks. However, based on these results it can be concluded that all moderating variable interactions do not have a significant effect on capital gains because the significance value is greater than 0.05.

X_1_Z which is the interaction between inflation and capital structure has a significance value of 0.1739 which is greater than 0.05. X_2_Z which is the interaction between inflation and profitability has a significance value of 0.6051 which is greater than 0.05. X_3_Z

which is the interaction between inflation and liquidity has a significance value of 0.5212 which is greater than 0.05. And X_4_Z which is the interaction between inflation and growth has a significance value of 0.3116 which is also greater than 0.05. With these results it can be concluded that inflation cannot be used as a moderating variable in the effect of profitability, profitability, liquidity and growth on capital gain stocks.

CONCLUSION AND SUGGESTION

The results in this study found that capital structure, profitability and growth partially have a positive and significant effect on capital gain stocks in Construction Companies listed on the Indonesia Stock Exchange. Liquidity has a negative and significant effect on capital gain stocks. Other findings show that inflation is not a moderating variable in the effect of capital structure, profitability, liquidity and growth on capital gain stocks.

Based on the conclusions in this research, several suggestions can be made, which are as follows:

1. In the results of the study it can be seen that the capital structure, profitability and growth have a positive and significant effect on capital gain stocks in Construction Companies. So it is expected that Companies in the Construction sector listed on the IDX in order to improve capital structure, profitability and company growth to be able to maximize the Company's capital gain stocks.
2. Further research is expected to re-examine the effect of other variables that can affect capital gain stocks in Construction Companies listed on the Indonesia Stock Exchange. Some of the variables that can be examined include solvency, activity ratios, stock sizes, dividend policies and so on.
3. In the results of this study it can be seen that inflation cannot be used as a moderating variable in the effect of capital structure, profitability, liquidity and growth on capital gain stocks in Construction Companies listed on the Indonesia Stock

Exchange. So that in subsequent studies it is hoped that other researchers will re-examine the other moderating variables in the research model. This is done to determine whether there are variables that can be used as a moderating effect of capital structure, profitability, liquidity and growth on capital gain stocks in Construction Companies listed on the Indonesia Stock Exchange.

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