

## The Effect of Capital Structure on Share Price on Property and Real Estate Companies Listed on Indonesia Share Exchange

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### ABSTRACT

Share prices are prices that occur in the share market at a certain time determined by market participants and determined by the demand and supply concerned in the capital market. Share price is one indicator of a company's success because high share prices will provide benefits, namely capital gains and the company's growth prospects can also be seen from the movement of share prices so that investors in general will be more interested in investing their capital in companies that provide them with profits. Several factors affect share prices, namely capital structure and company size. The purpose of this study was to determine whether capital structure affects share prices on Property and Real Estate Companies listed on the Indonesia Share Exchange. The sample in this study was using purposive sampling with a total sample of 10 Property and Real Estate Companies listed on the Indonesia Share Exchange and data from 2014 - 2017. The results of this study indicate that the capital structure partially has a negative and insignificant effect on share prices on Property and Real Estate Companies listed on the Indonesia Share Exchange

**Keywords :** Capital Structure and Share Prices.

### INTRODUCTION

The capital market has an important role in the development of the Indonesian economy because the capital market performs two functions, namely economic function and financial function. According to Riyanto (2013), "in carrying out economic functions by efficiently allocating funds from the overfunded party as the owner of capital (investor) to the company registered in the capital market (issuer). While the financial function of the capital market is indicated by the possibility and opportunity to get a return for the owner of the fund or investor according to the character of the chosen investment. The share price is a reflection of capital market activity in general.

The following chart of stock price developments in Property And Real Estate Companies listed on the Indonesia Stock Exchange from a population of 48 companies there are 10 companies that are sampled that meet the criteria.

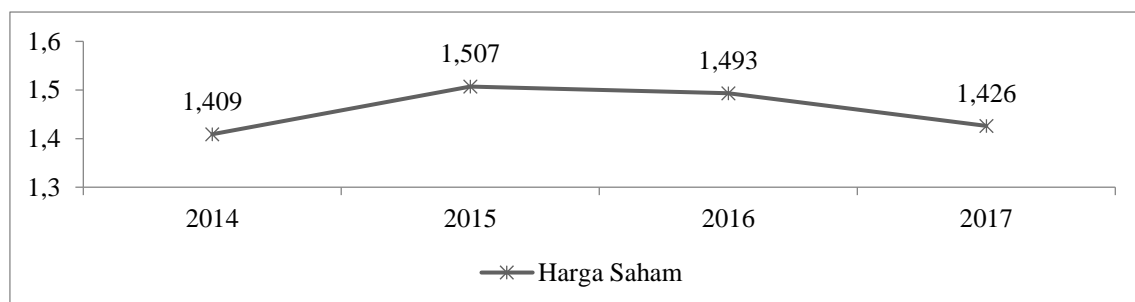
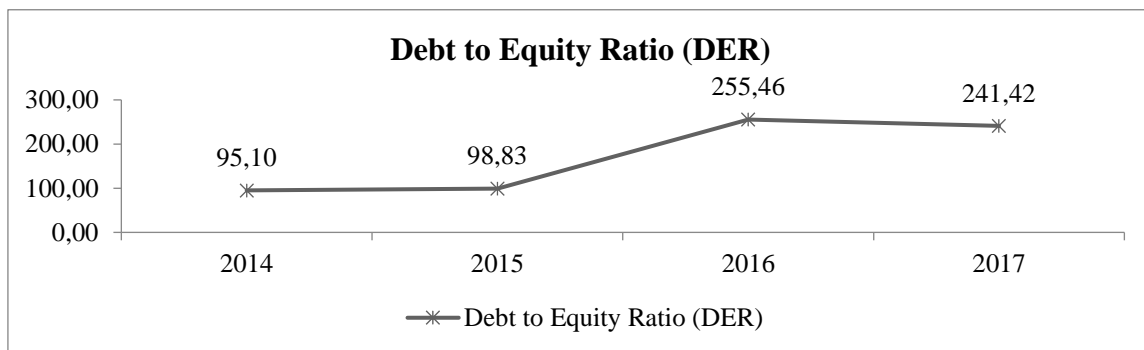


Figure 1. Average Stock Price Chart On Property And Real Estate

Based on figure 1.1 it is known that there was a decrease in the average share price in 2016 of Rp.1,493 and in 2017 of Rp.1,426, from the previous year, this will have an impact on the decrease in the level of shareholder prosperity. One of the factors affecting the share price is the capital structure. According to Handayani (2011), the capital structure is a balance between debt and capital held by the company. Investors see not only the company's ability to make a profit, but also the use of debt by the company in carrying out its activities. The capital structure is a measure of how much the company is financed with debt.



**Figure 2. Average Debt To Equity Ratio Chart On Property And Real Estate**

Based on figure 1.2 it is known that there was an average decrease in debt to equity ratio in 2015 of 98.83% and 2016 of 255.46%, from the previous year, this impact on funding by using too high debt will increase the financial risk of the company and may ultimately result in financial distress so that the value of the company will decrease.

Based on the background of the problem described above, the author identifies the problem as follows:

1. There was an average decline in the share price in 2016 of Rp.1,493 and 2017 of Rp.1,426, from the previous year, which will result in a decrease in the level of shareholder prosperity.
2. There was an average decrease in debt to equity ratio in 2015 of 98.83% and 2016 of 255.46%, from the previous year, this impact on funding by using too high debt will increase the financial risk of the company and may ultimately result in financial distress so that the value of the company will decrease.

## LITERATURE REVIEW

### Shares

The portion of ownership is determined by how much inclusion is instilled in the company. Astuti (2011) defines a share as "Proof letter or sign of ownership of a share of capital in a limited distribution". Asril (2011), states the share price is "The share price on the stock exchange at any given moment determined by the market participants and by the demand and offering of the shares concerned in the capital market.

Investors are certainly motivated to invest in a desired instrument, in the hope of getting the appropriate investment return. According to Jogiyanto (2016), "The share price is the price that occurs in the exchange market at a certain time determined by the market participants and

determined by the demand and supply in the capital market". The share price is one indicator of the company's success because the high share price will give a profit that is capital gain and the growth prospects of the company can also be seen from the movement of the share price so that investors in general will be more interested in investing in the company that gives it a profit.

### Capital Structure

Capital Structure is defined as the composition of the company's capital based on its source, especially which shows the portion of the company's capital derived from the source of debt (creditors) and at the same time the share of capital derived from the owners equity. The capital structure is measured using three indicators, namely leverage, debt to equity, and collateralizable assets. Leverage reflects the use of sources of funds derived from long-term debt (foreign capital) that incur fixed expenses for the company, such as interest expense. The value of this indicator is determined using long-term debt to total assets ratio (Sugeng, 2010).

Handayani (2011) states that the capital structure is a balance between debt and the capital held by the company. Sjahrial (2011) defines the capital structure as a balance between the use of loan capital consisting of short-term debt that is permanent, long-term debt with its own capital consisting of preferential shares and common shares.

### METHODS

This research approach is associative research. Associative research is a study that connects two or more variables. This study used 1 (one) free variable namely: free variable capital structure (X), and 1 (one) variable bound namely share price (Y). Sampling using purposive sampling method is done by taking samples from the population based on a certain criteria.

### RESULTS AND DISCUSSION

#### Results

##### Partial test (t test)

Statistical tests are performed to test whether a free variable (X) individually has a significant relationship or not to a bound variable (Y).

**Tabel 1 Hasil Pengujian Hipotesis Secara Parsial (t)**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.779	.704		9.630	.000
	Struktur Modal	-.034	.155	-.036	-.222	.826

a. Dependent Variable : Harga Saham

#### Effect of Capital Structure on Share Price

Based on the results of the data analysis it appears that the effect of the capital structure on the share price of the results shows that  $t_{hitung} -0.222 < t_{tabel} 2,024$  and a significant  $0.826 > 0.05$ , then  $H_a$  is rejected and  $H_0$  is accepted, which states the capital structure has no partial effect on the share price.

### Determination Coefficient

Statistical Test coefficient determination in this study the goal is to find out how far the model is in explaining variations in dependent variables. Statistical tests of the determination coefficient can be seen in the following table:

**Table 3 Determination Coefficient  
Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.036 <sup>a</sup>	.001	.225	1.10570

a. Predictors: (Constant), Stres Kerja, Disiplin Kerja, Promosi Jabatan

b. Dependent Variable: Kinerja

Table 3 shows that R Square's adjusted value of 0.225 means that the percentage of the influence of independent variables (Capital Structure) on dependent variables (Share Price) is the value of the determination coefficient or 22.51%. While the remaining 77.5% were affected or described by other variables not included in this study model.

### Discussion

#### Effect of Capital Structure on Share Price

The share price is the price that occurs in the exchange market at a given time determined by the market participants and determined by the demand and supply in question in the capital market. The share price is one indicator of the company's success because the high share price will give a profit that is capital gain and the growth prospects of the company can also be seen from the movement of the share price so that investors in general will be more interested in investing in the company that gives it a profit.

The results of this study prove that variable capital structure has no partial effect on the share price of property and real estate companies listed on the indonesia stock exchange for the period 2014-2017. The results of this study in accordance with Pratiwi (2018), show that the capital structure has no significant effect on the share price of food and beverage companies listed on the indonesian stock exchange, while these results contradict Wehantouw's research (2017), suggesting that the capital structure has a significant effect on the share price. Based on handyani theory (2011), the capital structure is the balance between debt and the capital held by the company, where the capital structure is measured using Debt to Equity (DER). Debt to Equity (DER) is a ratio that compares the amount of debt to the equity of the company. This ratio is used by analysts and investors to see how much the company owes when compared to the equity owned by the company or its shareholders.

The capital structure reveals how the use of corporate funding from the capital structure held by the company comes from long-term debt and capital derived from equity. The capital structure negatively affects the share price indicating that investors pay attention to how much capital they are financed to the company to generate a net profit for them. The larger the capital structure signifies the structure of the business capital using more funds provided by creditors to pay down debt. It can be concluded that the capital structure at some level has a negative and insignificant effect on the company's share price. The effect of the capital structure on the share price can be seen from the increasing capital structure does not follow with the increase in the

share price.

## **CONCLUSION**

Based on the results of research and discussion in this study, it can be concluded that the capital structure at some level has a negative and insignificant influence on the company's share price. The effect of the capital structure on the share price can be seen from the increasing capital structure does not follow with the increase in the share price. In other words, the capital structure partially negatively and insignificantly affects the share price of property and real estate companies listed on the Indonesia Stock Exchange.

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