

## The Effect Of Stock Price, Earning Per Share, Current Year Profit, Inflation, Interest And Exchange Rate On Construction Investment In Pt. Total Bangun Persada Tbk During 2013-2022

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### ABSTRACT

This study aims to analyze the impact of stock prices, Earnings Per Share (EPS), current year's profit, inflation, interest rates, and exchange rates on investment in the construction sector at PT Total Bangun Persada Tbk during 2013-2022. By employing multiple linear regression analysis, this research evaluates how each variable influences the company's investment decisions in the construction sector. The results indicate that stock prices, EPS, and the current year's profit have a positive and significant impact on investment decisions, while inflation and interest rates show a significant negative impact. Exchange rates, on the other hand, have a varying effect depending on the fluctuations that occurred during the study period. These findings provide important insights for investors and company management about major factors to consider in investment decision-making and the implications of monetary policy and macroeconomic conditions on the construction sector. Furthermore, the study highlights the importance of closely monitoring both internal financial indicators and external economic factors when planning investments. By understanding these dynamics, investors and management can better navigate the complexities of the construction market, ensuring more informed and strategic investment decisions that align with both market trends and broader economic shifts.

**Keywords:** *Current Year's Profit; Earnings Per Share (EPS); Inflation; Investment; Rupiah Exchange Rate.*

### INTRODUCTION

Indonesia is vigorously promoting progress in the construction sector, a key aspect of infrastructure development aimed at achieving equitable distribution across the country and preventing economic disparities (Willar, Waney, Pangemanan, & Mait, 2019). Infrastructure development is an essential program that continues to be advanced to enhance infrastructure and ensure economic equality throughout Indonesia. One of the primary infrastructure sectors targeted for development is construction (Pridayanti, 2014). Construction plays a vital role in supporting economic growth and improving the quality of life by providing necessary facilities and amenities. The construction of roads, bridges, buildings, and other infrastructures not only enhances connectivity and logistics efficiency but creates jobs and attracts investment. Therefore, the construction sector is a priority in the government's efforts to strengthen national competitiveness and catch up with other countries.

One solution to support infrastructure development, particularly in construction, is through investment. Investment in the construction sector is crucial as it provides the necessary funds to build and improve existing and new infrastructures (Tambunan,



Sabijono, & Lambey, 2019). Moreover, investment can attract reputable and competent construction companies, such as PT Total Bangun Persada Tbk, a private company engaged in construction. Investment also plays a role in creating new jobs, enhancing local workforce skills, and fostering economic growth (Mara, 2022).

In making investment decisions, several factors need to be considered, such as the impact of stock prices, Earnings Per Share (EPS), current profit, inflation, interest rates, and exchange rates. Stock prices reflect the company's performance and market perception of prospects, while EPS indicates the profit earned per share, providing insight into the company's financial health. Current profit shows the profitability generated from daily operations. Inflation and interest rates are macroeconomic indicators that affect purchasing power and capital costs. Exchange rates, on the other hand, influence the cost of importing raw materials and the company's exposure to international markets. All these factors must be comprehensively considered to make wise and beneficial investment decisions.

## **METHOD**

The research design adopted in this study follows a quantitative approach, which is well-suited for measuring the impact of independent variables on a dependent variable using numerical data. This study employs a multiple linear regression analysis to examine the influence of stock prices, Earnings Per Share (EPS), current profit, inflation, interest rates, and exchange rates on investment as the dependent variable. The research focuses on PT. Total Bangun Persada Tbk, with data spanning from 2013 to 2022.

The population for this study includes all financial reports and relevant data from PT. Total Bangun Persada Tbk during the specified period. The sample consists of annual data covering stock prices, EPS, current profit, inflation rates, interest rates, and exchange rates over the ten-year period. Secondary data are used, sourced from the company's annual reports, official publications from Bank Indonesia, and statistical data from the Central Bureau of Statistics (BPS).

Data collection is carried out through documentation and retrieval of secondary data from reliable sources. Stock price and EPS data are obtained from the company's financial statements, while inflation, interest rates, and exchange rates data are gathered from reports by Bank Indonesia and BPS. The collected data will be analyzed using multiple linear regression analysis, utilizing statistical software such as SPSS or EViews to determine the regression coefficients for each independent variable. This analysis will reveal the extent to which stock prices, EPS, current profit, inflation, interest rates, and exchange rates influence investment at PT. Total Bangun Persada Tbk.

Before performing the regression analysis, classical assumption tests will be conducted to ensure that the data meet the requirements for multiple linear regression, including tests for normality, heteroscedasticity, multicollinearity, and autocorrelation. Hypothesis testing will follow, utilizing t-tests and F-tests to assess the significance of the influence of each independent variable on the dependent variable. The coefficient of determination ( $R^2$ ) will be employed to measure the proportion of variation in the dependent variable explained by the independent variables in the model.

## **RESULT AND DISCUSSION**

### **1. Investment**

Investment plays a crucial role in driving the economic life of a nation, as capital formation increases production capacity. With increased investment,

companies can purchase new equipment, build larger production facilities, and develop more advanced technologies. All of these enhance national production capabilities, which in turn drive economic growth. Additionally, investment is not limited to the private sector; the government can also invest in public infrastructure such as roads, bridges, and airports, which streamline the distribution of goods and services and improve overall economic efficiency. Investment significantly contributes to increasing national income and creating new jobs. With new investments, companies can expand their operations and require more labor. This opens up job opportunities for the community, reduces unemployment rates, and enhances economic welfare. The increase in national income generated from investment also means there is more money circulating in the economy, which can boost consumption and demand for goods and services. As a result, the economic cycle runs faster and more stable, providing long-term benefits for equitable economic development in Indonesia (Sunu & Suliswanto, 2024).

Investment is considered to have two interrelated main functions. First, investment can create income, which results from the demand for goods and services. When investments are made by the private sector or the government, it will increase aggregate demand and generate additional income in the economy. This is because investments are often accompanied by expenditures on capital goods, raw materials, and labor, which directly boost income and consumption (Arsyad & Haeruddin, 2022). Investment also expands the economy's production capacity by increasing the capital stock. The impact is seen from the supply side, where investment increases production capacity through the purchase of machinery, the construction of facilities, and technological advancements. With a larger capital stock, the economy can produce more goods and services, supporting long-term economic growth. Therefore, investment not only stimulates demand and income but also strengthens the production base of the economy by enhancing its capacity. Hence, investment is a crucial point that contributes to advancing Indonesia's economy. Investing is a starting step to support Indonesia's progress.

## **2. Stock Price**

A stock is a financial instrument that represents an individual's or institution's ownership in a company. In this context, a stock serves as written proof of the investment, indicating that the shareholder owns a portion of the company (Hartanto, 2014). When an investor purchases a company's stock, they officially become a partial owner of that company and are known as a shareholder. As a shareholder, the individual or institution has the right to receive dividends, if any, and participate in company decisions through voting rights at the general meeting of shareholders. In other words, owning stock means holding a part of the company's equity and being entitled to the company's earnings and decisions.

Indonesia has an institution dedicated to stock trading the Indonesia Stock Exchange (IDX) (Renaldi, Pinem, & Permady, 2020). The IDX is responsible for organizing the trading of stocks and various financial instruments in Indonesia. As the main trading hub in Indonesia's capital market, the IDX provides a platform for companies to list their stocks and offers investors the opportunity to buy and sell stocks and other investment instruments. The IDX plays a crucial role in regulating and supervising trading activities, ensuring transparency, and maintaining market integrity through stringent regulations. By providing market information and efficient trading facilities, the IDX supports economic growth and strengthens investor confidence in Indonesia's capital market (Taslim & Wijayanto, 2017).

An example of a privately owned company in the construction sector is PT Total Bangun Persada Tbk, which has the stock code TOTL listed on the Indonesia Stock Exchange (IDX). As a company listed on the IDX, TOTL shares are traded on the Indonesian stock market, and investors can buy or sell these shares through registered brokers or securities companies. As a company focused on building and infrastructure, PT Total Bangun Persada Tbk plays a significant role in Indonesia's construction industry. The performance of TOTL shares is influenced by various factors, including the company's financial performance, the construction market conditions, and macroeconomic conditions such as inflation, interest rates, and exchange rates. Up-to-date information on TOTL stock prices, financial reports, and company news can be accessed through the official IDX website or market information platforms provided by various media and investment applications. Stock prices can fluctuate due to several factors, such as return on assets, return on equity, earnings per share (EPS), book value equity per share, debt-to-equity ratio, stock returns, risk-free returns, stock beta, and market returns (Khairani, 2016). Stock prices are easily accessible by visiting the stock data and prices on the IDX official website, IDX. Through this site, stock prices can be viewed over a specific period as needed, such as hourly, daily, weekly, and monthly.

### **3. Earning Per Share (EPS)**

Earnings Per Share (EPS) is a measure used to assess a company's profitability based on the net income earned per outstanding share (Subiyantoro & Andreani, 2004). EPS indicates the profit earned by investors or shareholders for each share they own. It is calculated by dividing the company's net income after taxes by the number of outstanding shares. As a key indicator in financial analysis, EPS provides insight into how much profit is generated for each share owned by shareholders. An increase in EPS is often seen as a positive sign because it shows that the company is generating more profit per share, which can attract investor interest and increase the stock value (Kumar, 2017). EPS has an impact on stock prices (Badruzaman, 2020). If EPS increases, it usually positively affects the company's stock price because a higher EPS indicates that the company is generating more profit per share. This is generally seen as an indicator of good financial health, enhancing the attractiveness of the stock to investors. Consequently, demand for the stock increases, which can drive up the stock price. Conversely, if EPS decreases, it indicates a reduction in profit per share, which can raise concerns about the company's declining profitability. Investors might respond by selling the stock, which can lead to a decrease in the stock price. In other words, changes in EPS often directly affect stock prices, reflecting how the company's financial performance influences market perception of its stock value.

### **4. Current Year Profit**

Profit is the difference between the revenue received by an entity and the expenses it incurs over a specific period, indicating the net gain generated. In this context, profit reflects the entity's ability to generate additional value from its operational activities that exceed the necessary expenditures. With profit, the entity can not only provide returns to investors through dividend distributions or increased stock value but also maintain its wealth without depleting its initial financial position. In other words, even if the entity experiences an increase in revenue, its wealth remains stable and does not diminish, as profit demonstrates that the income earned surpasses the costs and expenses incurred (Sungkowati,

2023). Current Year Profit specifically refers to the profit earned by investors over a yearly period (Hapsari & Saputra, 2018). This profit influences investors' buy and sell decisions. Current year profit is an important indicator of a company's financial performance, showing how efficiently the company generates profit from its operational activities. This profit is typically reported in the company's income statement and is used by investors, management, and other stakeholders to evaluate the company's operational success and growth potential.

## **5. Inflation**

Inflation is a condition where there is an excess demand for goods and services within an economy, resulting in a significant increase in prices. When the demand for goods and services surpasses the available production capacity and supply, price pressure increases as consumers are willing to pay more for the limited goods and services. The phenomenon leads to a decrease in the purchasing power of money, causing a uniform rise in the prices of goods and services across all sectors of the economy. Inflation can be triggered by various factors, including rapid economic growth, surges in production costs, or monetary policies that increase the money supply within the economy. Over time, high inflation can impact economic stability and consumer welfare, as well as influence investment decisions and financial planning (Lingyan, Mawenge, Rani, & Patil, 2023).

Inflation has a significant impact on economic growth in Indonesia, primarily due to rising prices of goods and the depreciation of currency value. When the prices of goods increase, the purchasing power of the public decreases, leading to an imbalance between the available goods and market demand. It often results in a reduction of goods circulation in the market and exacerbates the gap between supply and the needs of the population. For instance, during the COVID-19 pandemic, there was a surge in the prices of essential goods and fuel, which worsened the inflation condition. Additionally, the increase in unemployment during this period further aggravated the inflation situation, as the decline in household income contributed to decreased purchasing power, widening the gap between supply and demand for goods. All these factors collectively affect economic stability and public welfare, creating additional challenges for the government and policymakers in managing inflation and supporting economic growth in Indonesia (Syaikhu & Haryati, 2018).

## **6. Interest Rates**

Interest rates are the cost of borrowing money, representing the price that debtors must pay creditors for resource usage. Interest rates serve as a measure of borrowing costs and are a crucial variable in the economy that must be carefully monitored due to their widespread impact. It is typically expressed as an annual percentage, interest rates affect daily life and the overall health of the economy. As a price, interest rates play a central role in money and capital markets, acting as a mechanism for resource allocation within the economy (Indriyani, 2016). The Bank Indonesia rate (BI-rate) is a monetary policy instrument used to signal the market about the direction of economic policy. Changes in the BI rate impact interbank interest rates and deposit rates, which in turn affect lending rates. An increase in the BI rate generally leads to higher interbank and deposit rates, which can drive up lending rates and influence economic activity. Conversely, a decrease in the BI rate can lead to short-term capital outflows, potentially disrupting the stability of the rupiah exchange rate and economic growth. Therefore, the BI rate plays a vital role

in guiding monetary policy to support stable economic growth (Juhro & Goeltom, 2013).

## 7. Exchange Rate

The exchange rate of a country's currency can be divided into the nominal exchange rate and the real exchange rate. The nominal exchange rate is the relative price of the currencies of two countries, indicating how many units of one country's currency are needed to buy one unit of the other country's currency. In other words, the nominal exchange rate reflects the amount of money that must be paid to obtain a foreign currency at the prevailing exchange rate in the market. For example, if the nominal exchange rate between the US dollar and the euro is 1.1, then one US dollar can be exchanged for 1.1 euros. Meanwhile, the real exchange rate measures the purchasing power of a country's currency against another currency by considering the difference in price levels between the two countries. It provides a more accurate picture of the strength of a currency in the context of the cost of goods and services, as well as the international competitiveness of a country (Ginting, 2013). The Rupiah exchange rate has a significant influence on economic growth in Indonesia because it affects various aspects of the macroeconomy, such as exports, imports, and inflation. When the Rupiah exchange rate weakens against foreign currencies, goods and services from Indonesia become cheaper for international buyers, which can increase exports and drive economic growth in Indonesia (Kurniawati, 2021).

## 8. Result

The following is the data after data analysis using Multiple Linear Regression to see the effect of stock prices, Earning Per Share, Current Year Profit, Inflation, Interest Rates, and Rupiah Exchange Rates on Investment in PT. Total Bangun Persada Tbk in the period from Q1 2013 to Q4 2022:

**Table 1. Multiple Linear Regression**

Variable	Coeffiient	Std. Error	t-Statistic	Prob.
<b>C</b>	1.022474	0.265207	3.855388	<b>0.0005</b>
<b>Ln_SAHAM</b>	0.101316	0.013700	7.395402	<b>0.0000</b>
<b>Ln_EPS</b>	0.076024	0.013332	5.702169	<b>0.0000</b>
<b>Ln_LABA</b>	0.851261	0.025426	33.480560	<b>0.0000</b>
<b>INFLASI</b>	-0.019041	0.009150	-2.080930	<b>0.0453</b>
<b>BUNGA</b>	-6.272360	2.971117	-2.111112	<b>0.0416</b>
<b>Ln-KURS</b>	0.284808	0.102353	2.278261	<b>0.0087</b>
R-squared	0.847884	Mean dependent var		17.448130
Adjusted R-squared	0.837499	S.D depent var		0.358050
S.E of regression	0.017905	Akaike info criterion		1.049843
Sum squared resid	0.010579	Schwarz criterion		1.754289
Log likelihood	107.996900	Hannan-Quinn criter.		1.942980
F-statistic	2593.760000	Durbin-Watson stat		1.843527
<b>Prob(F-statistic)</b>	<b>0.000000</b>			

The following is the interpretation of the regression equation above:

1. The constant value obtained is 1.022474, according to statistical calculations, has a value = 0, which indicates that investment in the construction sector will increase by 1.022474 units.
2. The value of the Stock Price Coefficient is 0.101316, which means that the stock price increases by 1 unit. So investment in the construction sector will increase by 0.101316 units.
3. The Earning Per Share (EPS) Coefficient value is 0.076024, which means that if EPS increases by 1 unit, then investment in the construction sector will increase by 0.076024 units.
4. The value of the Current Year's Profit Coefficient is 0.85126 which means that if the Current Year's Profit increases by 1 unit, then investment in the construction sector will increase by 0.85126 units.
5. The Inflation Coefficient Value is 0.019041, which means that if inflation increases by 1 unit, investment in the construction sector will decrease by 0.019041 units.
6. The Interest Rate Coefficient Value is 6.272360, which means that if the Interest Rate increases by 1 unit, the investment will decrease by 0.019041 units.
7. The Rupiah Exchange Rate Coefficient Value is 0.284808, which means that the Rupiah exchange rate against the US Dollar increases by 1 unit, Investment in the Construction sector will increase by 0.284808 units.

## CONCLUSION

From the interpretation above, it can be concluded that stock price, earnings per share, current year profit, inflation, interest rate, and exchange rate against the US Dollar collectively have a significant effect on investment in the construction sector of PT. Total Bangun Persada Tbk. Specifically, stock price, earnings per share, and current year profit each have a significant and positive impact on investment, indicating that as these financial metrics improve, investment in the construction sector tends to increase. On the other hand, inflation and interest rates show a significant and negative effect on investment, suggesting that higher inflation and interest rates discourage investment in this sector. Lastly, the exchange rate against the US Dollar has a significant and positive effect, implying that a favorable exchange rate can boost investment in the construction sector of PT. Total Bangun Persada Tbk.

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