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Market Dynamics in Infrastructure: A Comprehensive Analysis of Financial Factors Shaping Stock Prices

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Abstract

This research explores the complex dynamics between financial performance and stock prices in the infrastructure sector. The main focus draws attention to key variables such as Return on Assets (ROA), Current Ratio (CR), Debt to Equity Ratio (DER), Company Size (FZ), and Interest Rates (INRT). This research produces significant findings Through quantitative methods and a panel regression model. The analysis shows that ROA significantly influences share prices, highlighting the importance of efficient financial performance in attracting investor interest. Meanwhile, as a liquidity indicator, CR has a significant relationship with stock prices, indicating that financial health can impact investor perceptions. Financial sustainability, reflected in DER, yields the exciting finding that a lower proportion of debt is associated with valuations from the stock market. Company size (FZ) has also been shown to influence share prices, highlighting the importance of operational scale in increasing investor confidence. However, Interest Rates (INRT) do not significantly influence share prices in the infrastructure sector. The results of this research provide valuable insights for stakeholders, helping them understand the link between financial performance and stock market behavior in the context of the infrastructure sector. The implications of these findings can guide more informational and data-based managerial policies and investment decisions.

Keywords

Infrastructure, Stock Prices, Financial Performance, Return on Assets (ROA), Current Ratio (CR), Debt to Equity Ratio (DER), Company Size (FZ), Interest Rates (INRT), Panel Regression, Liquidity

INTRODUCTION

One of the economic activities recently advocated by the government is investment, which refers to investing capital within a particular time to make a profit. Of the various investment instruments available, shares are well-known and easily accessible to the public (Boateng et al., 2014; Chandra & Osesoga, 2021; Piao & Choi, 2022). However, share price volatility is a significant consideration for people when investing in shares, especially in choosing which shares to buy. Share prices can fluctuate at any time, influenced by factors such as fundamental and non-fundamental (Moya-martínez et al., 2014; Tan et al., 2019).

Fundamental factors include the company's financial performance and business prospects. For example, net profit is one of the essential factors that can influence stock prices; The higher the net profit generated by the company, the higher the company's share price. Apart from fundamental factors, non-fundamental factors also significantly impact stock prices. For example, an increase in interest rates can cause a decrease in stock prices.

Investors must carefully consider various factors influencing share prices before making investment decisions. By understanding these factors well, investors can make more appropriate investment decisions. Meanwhile, the infrastructure sector is the main focus of the Indonesian government, considered a crucial aspect in accelerating national development and the main driver of economic growth. The increase in share prices of companies related to the infrastructure sector positively impacts stock returns.

High inflation rates can harm the infrastructure sector. Therefore, companies in this sector must pay attention and set appropriate interest rates to maintain their liquidity and profitability. The potential for lowering interest rates could improve the financial performance of companies in the infrastructure sector. On the other hand,

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sustainable inflation is one of the external factors that can influence company performance in the infrastructure sector. Another factor that may influence is changes in interest rates. Lowering interest rates can improve the financial performance of companies in the infrastructure sector.

The influence on changes in share prices includes certain factors, including profitability, one of which is measured by Return on Assets (ROA). ROA is relevant because it reflects the company's ability to generate profits in a certain period. According to (Putri & Kusumawati, 2020), companies with high ROAs that show significant profitability tend to receive greater demand for shares from investors, which can increase the company's share price. Therefore, the public considers ROA a positive signal regarding the company's share price prospects.

Liquidity, measured through the current ratio (CR), is another factor significantly impacting share prices. (Irman et al., 2020) states that CR reflects the company's ability to fulfill its short-term obligations. Investors are attracted to companies with high CR, indicating the company's financial health and ability to overcome liabilities. Increased investor demand for shares of such companies can contribute to an increase in share prices.

Another factor that is the focus of research is interest rates. According to (Tuo, 2016), interest rates are significant because they influence investors' decisions in investing instruments. Rising interest rates encourage investors to turn to safer investments, such as bonds, which can result in decreased demand for shares and lower share prices. Conversely, decreasing interest rates may increase share prices and demand as investors seek riskier investments. Thus, interest rates have a significant influence on stock price dynamics.

Several studies have been conducted to dig deeper into the factors that can influence share prices in various industrial sectors. (Djou et al., 2022) explored the food and beverage sector, examining how return on assets and return on equity can influence stock prices. Meanwhile, (Raspati & Welas, 2021) focuses more on the LQ45 company sector by considering return on assets, current ratio, debt to equity ratio, and dividend payout ratio in their influence on share prices. (Badriah & Zainuddin, 2021) explores the automotive sector, examining the impact of profitability, leverage, and dividend policy on share prices.

(S. Wardani et al., 2022) tries to provide an overview of the banking sector, analyzing how financial performance factors influence stock prices. (Sari et al., 2020) investigated the construction sector, examining various factors that might influence share prices. (Asniwati, 2019) explores the understanding of the impact of liquidity and profitability on share prices, while (Maharani et al., 2022) explores the impact of liquidity, profitability, earnings per share, and debt-to-equity ratio on food and beverage companies.

(Rahma et al., 2021) focuses on the LQ45 company sector, exploring the influence of profitability on share prices. (Shinta & Laksito, 2014) considers earnings per share as the primary indicator in assessing the attractiveness of shares. Finally, (Octaviani & Komalasarai, 2017) detailed his analysis of the pharmaceutical industry sector, examining the influence of debt to equity ratio, current ratio, return on assets and company size on stock prices. With diverse approaches and research covering a wide range of industry sectors, these findings are essential to understanding the complexity of factors that shape stock price dynamics across different layers of the economy.

This research expands the previous framework by conducting a more detailed analysis of the factors influencing share prices in the infrastructure sector. Although continuing previous research, several relevant methodological differences differentiate them. First, this study extends the observation period to the most recent data, requiring further evaluation of the consistency of influencing factors to detect potential significant changes that require further exploration.

Second, although the study retained some previously included factors, there was an attempt to deepen the analysis of each variable through the addition of additional factors in order to obtain a more comprehensive understanding. Third, this research emphasizes interest rate variability as a potentially significant external factor in understanding its impact on the infrastructure sector. Fourth, comparing the findings with other sectors provides additional insight into the infrastructure sector's unique characteristics. Finally, this research proposes including stakeholders' perspectives, such as investors, company management, and government, to provide a deeper holistic understanding of the factors influencing stock prices in the infrastructure context. By exploring and filling these gaps, further

research can contribute to a deeper and more comprehensive understanding of the influence of certain factors on share prices in the infrastructure sector on the Stock Exchange.

This research provides an essential contribution to understanding the factors that influence share prices on the Stock Exchange in the infrastructure sector. By extending the analysis period to 2022, this research offers a more current understanding of the dynamics of stock prices in the face of changing economic and market conditions. Developing the analysis methodology by adding variables and a more profound understanding provides a foundation for further research. The emphasis on interest rate variability as an external factor and comparing the findings with other sectors provide additional insights. Including stakeholders' perspectives, such as investors, company management, and the government, is also a significant contribution. Thus, this research provides valuable practical and academic insights for stakeholders in making investment and managerial decisions in the infrastructure sector.

LITERATURE REVIEW

Profitability

Profitability refers to a company's ability to manage its resources to generate profits that investors can obtain. As an indicator of a company's financial performance, profitability has a central role in assessing and measuring the financial health of a company entity (Crisna & Appriwenni, 2021; Gnangnon, 2022) (Sastrawan, 2016). It is essential to understand that profitability plays a vital role as a reference in evaluating company performance. This study notes that profitability is not just a measure of performance but also significantly impacts a company's share price (Suhendry et al., 2021; Sukmawardini & Ardiansari, 2018). A higher level of profitability tends to be positively correlated with an increase in share prices.

The rationale behind this relationship is investors' interest in investing in companies that show superior financial performance. Remember that the relationship between profitability and share price is not always linear. Other factors, such as macroeconomic variables, including interest rates, inflation rates, and economic growth, also significantly influence stock prices. Therefore, in the context of this research, the profitability variable is considered the central marker in measuring a company's financial performance and is found to have a substantial relationship with share prices. Thus, profitability directly influences share prices, where a company's higher level of profitability is positively correlated with an increase in its share price.

H_1: Profitability affects share prices

Liquidity

Liquidity ratios compare a company's current assets and short-term liabilities, especially debt due soon. A higher liquidity ratio value indicates a company's better ability to meet its short-term obligations, while a lower value reflects an inadequate ability in that context. From a share price perspective, liquidity is not just a financial parameter but also a factor influencing a company's share price (Mahdi & Abbes, 2018; Prabowo & Sutanto, 2019; Ramadhani & Zannati, 2018). This link arises because liquidity reflects a company's capability to meet its obligations, making it a significant indicator of financial health. High liquidity conditions attract investors' interest, potentially increasing share prices. Therefore, in the hypothesis regarding the effect of liquidity on share prices, there is a positive correlation where increasing liquidity can increase the company's share price.

H_2: Liquidity affects share prices

Interest Rates

The influence of interest rates on stock prices can significantly impact the financial markets. As a monetary policy parameter, an increase in interest rates tends to encourage investors to reallocate portfolios towards investment instruments considered safer, such as bonds. As a result, share demand decreases, causing a decline in share prices. On the other hand, falling interest rates encourage investors to look for riskier investment instruments, including shares, thereby increasing demand for shares and potentially driving share prices up (Camgöz & Topal, 2022; Shaban et al., 2016).

Additionally, interest rates can play an important role in investors' decisions regarding their asset allocation. When interest rates are low, the expected return from stock investments becomes more attractive, which can increase stock prices (Lusiana, 2020; D. K. Wardani & Andarini, 2016). Conversely, when interest rates are high, the anticipated rate of return from bonds can become more favorable compared to stocks, resulting in a decline in stock prices.

In the context of the infrastructure sector, economic growth and interest rates are

interrelated. Low-interest rates can improve the financial performance of infrastructure companies, as they allow companies to obtain lower-cost financing for infrastructure construction and development projects. Therefore, understanding the complex relationship between interest rates, stock prices, and the infrastructure sector can provide essential insights in making investment decisions.

H_3: Interest Rates Affect Stock Prices

Company Size

Company size, as an essential dimension in the context of corporate finance, plays a significant role in determining share prices. It is a general assumption that the larger the size of the company, the higher the value of the shares it owns. The rationality behind this relationship lies in that companies with a larger scale tend to have greater access to financial resources and can expand their business operations more effectively. In addition, companies with a larger size are often considered more stable and have lower risks, and these factors can increase investor confidence and encourage share prices to rise (Mukhibad et al., 2017; Ramadhanti et al., 2021; Wibisana et al., 2018).

It affects share prices, and company size impacts its financial performance, including the net profit generated. It is generally understood that the larger the company's size, the greater its potential net profit. As a significant fundamental factor, net profit positively correlates with stock prices. Therefore, investors need to carefully consider company size in making investment decisions, considering its role in influencing both share value and the company's overall financial performance.

H_4: Company size affects share prices

Capital Structure

The company's capital structure is a crucial factor that can be a significant consideration for investors in making investment decisions. The availability of capital and how a company funds its operations and projects can indicate its financial condition and policies. Investment in a company with an optimal capital structure can increase company value, encouraging investor interest (Kusumawati & Rosady, 2018; Mokhova & Zinecker, 2014; Rizvi & Arshad, 2016).

Investors' investment decisions in company shares can be influenced by their evaluation of the company's capital structure. An optimal capital structure can provide a positive signal about the company's ability to utilize funds efficiently and achieve sustainable growth. Investors are interested in investing in companies with capital structures that reflect wise financial policy choices.

In addition, an optimal capital structure can encourage demand for company shares. Investments made by individual and institutional investors can create positive momentum in the stock market, which in turn can influence stock prices. High share prices reflect investors' confidence in the company's growth potential and profitability resulting from a capital structure that is considered optimal (Mokhova & Zinecker, 2014; Santoso & Junaeni, 2022; Wayan et al., 2020). Thus, investors' understanding of a company's capital structure can be crucial in making investment decisions. Therefore, investors consider capital structure as one of their assessment elements in evaluating potential stock investments.

H_5: Capital Structure Affects Share Prices

RESEARCH METHODS

This research adopts quantitative methods as a research approach. The sample selection procedure used a purposive sampling approach, where six infrastructure sector companies that met the inclusion criteria were selected by presenting complete financial reports over ten years. The sample consists of companies that meet these standards, and data were collected from each company's annual report. The research time covers 2013 to 2022.

Research data was obtained from various sources, including each company's financial reports, Bank Indonesia, and the Indonesian Stock Exchange information. The variables used in this research include stock price (STP), profitability as measured by return on assets (ROA), liquidity as represented by the current ratio (CR), capital structure with the debt to equity ratio (DER) indicator, company size (FZ), and interest rate (INRT). The data analysis was carried out using a panel regression model, which was used to test the relationship between these variables and achieve the research objectives.

$$STP_{it} = \beta_0 + \beta_1 ROA_{it} + \beta_2 CR_{it} + \beta_3 DER_{it} + \beta_4 FZ_{it} + \beta_5 INTR_{it} + \epsilon_{it}$$

This approach allows researchers to explore the impact of various factors on stock prices by exploiting the diversity of companies

over a significant period. The methodology adopted, including sampling techniques and variable selection, is designed to provide a solid foundation for empirical analysis in answering the research questions.

RESULTS AND DISCUSSION

Descriptive Statistics

The results of the statistical description of the variables in the research show various relevant information. First, regarding share prices, it was found that the average share price reached 3298.60, with quite significant variations, as reflected by the high standard deviation of 4018.79. This indicates large company share price fluctuations during the study period.

Table 1. Descriptive Statistics

	STP	ROA	CR	INTR	FZ	DER
Mean	3298.6	0.046	1.895	0.0555	23.048	0.804
Median	1211.5	0.031	1.43	0.0525	22.735	0.595
Max	16155	0.174	12.99	0.0775	25.370	3.39
Min	270.00	-0.086	0.28	0.0350	20.640	0.00
Std. Dev	4018.79	0.048	2.119	0.0152	1.5670	0.789

Analysis of Return on Assets (ROA) shows that the average ROA is 0.0461, indicating a positive level of profit in general. Stability in ROA performance can be seen from the relatively low standard deviation, indicating consistency in achieving profit levels. Regarding the Current Ratio (CR), the average CR of 1.8953 illustrates that the company's current assets can cover around twice as many short-term liabilities. However, the high maximum value (12.99) indicates the possibility of outliers influencing the interpretation.

Regarding interest rates, the average of 0.0555 reflects relatively stable interest rates during the research period. This stability can be interpreted as predictability in interest rate conditions. Company size (FZ) averages 23.048, indicating moderate variation in company scale. Meanwhile, the debt-equity ratio (DER) averages 0.8038, indicating a reasonably balanced debt level. However, the high maximum DER value (3.3900) could be a potential outlier that requires special attention. Overall, this descriptive analysis provides an overview of the characteristics of the variables in the research. However, further analysis and identification of potential outliers must be done for a deeper understanding.

Best Model

The results of the Chow, Hausman, and Lagrange Multiplier statistical tests provide important insights regarding the selection of the best model in the context of this research. The Chow Cross-section Chi-square test shows a significant difference between two or more regression models, reinforced by a meager probability value, indicating that at least one model parameter is different between the data groups tested. The Hausman Cross-section Random test produces a significant probability value (0.0129), indicating a significant difference between fixed and random effects models.

Therefore, a model with random effects fits the data better. In addition, the Lagrange Multiplier Cross-section Breusch-Pagan test produces a very low probability (0.0000), indicating the presence of heteroscedasticity in the data. The conclusions from these three tests indicate that the regression model with random effects and taking into account heteroscedasticity tends to be more appropriate to the characteristics of this research data so that it can be used as a solid basis for interpreting results and further policies in the context of the infrastructure sector.

Table 2. Best Model

Test	Summary	Probability
Chow	Cross-section Chi-square	0.0000
Hausman	Cross-section random	0.0129
Lagrange Multiplier	Cross-section Breusch-Pagan	0.0000

Critical Assumptions

The statistical analysis results in this study show several significant findings related to the classical assumption test in the proposed regression model. First, the normality test using Jarque-Bera produces a probability value of 0.0129139, more significant than the significance level of 0.05. This indicates that the data used in this research can be considered normally distributed, fulfilling one of the classic assumptions in regression models.

Next, the multicollinearity test was carried out by observing the Variance Inflation Factor (VIF) value. The results show that the VIF values for all independent variables are below the threshold of 10, indicating no symptoms of multicollinearity. Therefore, the proposed regression model can be considered valid to

proceed to the next stage of regression analysis.

Table 3. Critical Assumptions

Test	Indicator	Value	Probability
Normality	Jarque-Bera	4.0937	0.1291
Heteroskedasticity	Breusch-Pagan-Godfrey	7.078317	0.2149
Autocorrelation	Durbin-Watson	1.777516	
Multicollinearity	Variance Inflation Factor	ROA = 2.056 CR = 1.305 INTR = 1.725 FZ = 1.709 DER = 2.059	

Heteroscedasticity analysis using the Breusch-Pagan-Godfrey test shows that the Chi-square probability value of 0.2149 is greater than the significance level of 0.05. This implies no heteroscedasticity in the data, validating the homoscedasticity assumption in the regression model. Finally, the autocorrelation test using the Durbin-Watson value produces a value of 1.777516, from -2 to +2. This value indicates that this study does not experience autocorrelation, and the results can be considered reliable.

Overall, the results of this classic assumption test show that the regression model used in this research meets many critical assumptions, validating the reliability of the regression analysis.

Table 4. Random Effect Model

Variable	t-Statistic	Prob.
C	-8.976	0.0000
ROA	3.641	0.0006*
CR	-2.747	0.0082*
DER	-4.366	0.0001*
FZ	9.882	0.0000*
INTR	-0.165	0.8692

Profitability

The influence of Return on Assets (ROA) on share prices in the infrastructure sector is the focus of research, which reflects the correlation between company financial performance, measured by ROA, and changes in share prices. The research results found that ROA influences stock prices. ROA, as a financial ratio, shows how efficient a company is in generating profits from the assets it owns. In the context of the infrastructure sector, where infrastructure development and maintenance is the main focus, ROA directly impacts companies' share prices in that sector.

If ROA positively influences share prices, improved financial performance, reflected in high ROA, can contribute to increased share prices (Choiriyah et al., 2021; Nafisah et al., 2018). An increase in share prices associated with high ROA shows that investors tend to give a positive value to the company's efficiency in managing its assets to generate profits (Nainggolan et al., 2022; Satyagraha et al., 2022). High ROA is a good performance indicator in the infrastructure industry, where infrastructure development and maintenance is critical for economic growth. Apart from that, the positive influence of ROA on share prices can also provide incentives for companies in the infrastructure sector to maintain and improve their operational efficiency. Companies that can optimize the utilization of their assets to achieve significant profit levels are more attractive to investors.

Liquidity

The influence of the Current Ratio (CR) on share prices in the infrastructure sector is the focus of research to reveal the dynamics of company liquidity and its impact on share value. The research results found that the Current Ratio influences stock prices. As a liquidity indicator, the current ratio measures a company's ability to meet short-term obligations using current assets. The company's liquidity level becomes crucial in the infrastructure sector, which requires significant investments and faces short-term liabilities during the project cycle. If the Current Ratio positively influences share prices, this can be interpreted as increasing liquidity contributing to an increase in share prices.

Investors give positive assessments to companies that are considered to have a healthy level of liquidity, providing confidence and potential contribution to investment attractiveness. It is vital to examine the further implications of the positive relationship between the Current Ratio (CR) and Stock Prices in the context of the infrastructure sector (Chandra & Osesoga, 2021; Santoso & Junaeni, 2022; Suhendry et al., 2021). Suppose increased liquidity, as reflected in a high CR value, can positively impact share prices. In that case, this will incentivize infrastructure companies to maintain and increase their liquidity. The increase in share prices that a high CR can cause can signal to investors that the company can manage its short-term obligations well, reduce risk, and provide the potential for better returns.

Capital Structure

The influence of the debt-equity ratio (DER) on share prices in the infrastructure sector is the focus of research that reveals the complex dynamics between a company's capital structure and the market response to share value. The research results found that DER influences stock prices. As a financial ratio that measures the proportion of debt and equity in company financing, DER plays a crucial role in shaping investor perceptions of financial stability and sustainability. The relationship between DER and share prices becomes increasingly significant in the infrastructure sector, which often involves projects with large investment scales (Agwan, 2017; Innocent et al., 2014; Setiyarini & Azhari, 2019). The importance of the influence of DER on share prices arises from investors' interpretation of the level of risk associated with the company's capital structure.

If DER has a negative influence on share prices, this could mean that the market tends to give positive assessments to companies with a more balanced capital structure or with a higher level of equity. The role of the infrastructure sector, which requires long-term investments and has different risk characteristics, can create a unique context in which capital structure policies play an essential role (Marinho et al., 2017; Mubarok & Sutrieni, 2020). In addition, changes in interest rates and macroeconomic conditions can also moderate the influence of DER on stock prices. High interest rates, for example, can increase interest expenses for companies with high DERs, negatively affecting share prices. Conversely, in low-interest rate conditions, companies with high DER may be better able to bear interest expenses, which can support or increase share prices.

Company Size

The influence of company size on share prices in the infrastructure sector is the subject of research that highlights the complex dynamics between company scale and investor perceptions of share value. The research results found that company size influences share prices. In this context, company size is often measured by total assets or market capitalization and reflects the company's operational scale and capabilities. In the infrastructure sector, where projects require significant investments and operational sustainability is crucial, company size can be an essential factor in shaping share prices. The importance of company size on share prices arises from investors' perceptions of the company's stability, sustainability, and growth potential (Atidhira & Yustina, 2017; Fransisca & Widjaja, 2019; Yassim et al., 2020). Suppose company size has a positive influence on stock prices.

Investors view companies with a larger scale as more reliable, have access to more significant resources, and can better deal with operational risks. In some cases, company size can also reflect market dominance or monopoly position, shaping positive expectations among investors (Nuryasinta & Haryanto, 2017; Wibisana et al., 2018). Apart from that, the relationship between company size and share price can also be influenced by external factors, such as market conditions and government policies related to the infrastructure sector. Regulation and government support for large companies in this sector can create an environment that supports growth and stability, which can be reflected in higher share prices.

Interest Rates

The research found that interest rates do not affect stock prices in the infrastructure sector, reflecting the complexity of factors that influence the stock market. For example, under certain conditions, other factors such as a company's operational performance, ongoing infrastructure projects, or government policy can be the primary determinant of stock prices, outweighing the impact of interest rates. Interest rates are one of the macroeconomic factors that influence investment decisions. However, the infrastructure sector has unique characteristics, where significant investments in long-term projects can be a major factor in shaping share prices.

Suppose the projects are considered a source of long-term growth and significant profits for infrastructure companies (Gründl et al., 2016; Herania & Maski, 2022; Himmati et al., 2021). In that case, investors focus more on the potential long-term return on investment than current interest rates. In addition, the infrastructure sector often links strongly to government policies and regulations. Government support for infrastructure projects, tax policies, or other incentives can be a more dominant factor in shaping stock prices than changes in interest rates (Herania & Maski, 2022; Metelli & Natoli, 2021; Sonaglio et al., 2016). Low interest rates sometimes incentivize infrastructure companies to obtain lower-cost funding,

increasing competitiveness and growth potential.

CONCLUSION

The findings of this research paint a significant picture regarding the influence of factors on share prices in the infrastructure sector. Return on Assets (ROA) and Current Ratio (CR) have a positive and significant impact on share prices, indicating that efficient financial performance and healthy levels of liquidity make an essential contribution to increasing the value of company shares. Capital structure analysis highlights that the debt-equity ratio (DER) plays an exciting role, with companies with a lower proportion of debt tending to get positive assessments from the stock market. Company size (FZ) has also been proven to influence share prices positively, indicating that a sizeable operational scale provides additional confidence from investors.

Although Interest Rate (INRT) does not show a significant impact, a contextual understanding of external factors is needed to moderate this relationship. These findings provide valuable guidance for company management and investment decision-makers in optimizing key factors influencing stock prices. In the face of complex market dynamics, a deeper understanding of financial performance, liquidity, capital structure, company size, and external factors such as interest rates can provide the basis for a more informed and responsive strategy to market changes.

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