

## The Influence of Profitability, Ownership Structure, and Macroeconomics on Company Value with Capital Structure as an Intervening Variable on Company Construction in Indonesia Stock Exchange Before and After the 2014 Government Era

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### ABSTRACT

A study has been conducted with the title The Effect of Profitability, Ownership Structure, and Macroeconomics on Company Value with Capital Structure as an Intervening Variable in Construction Companies on the Indonesia Stock Exchange Before and After the 2014 Government Era. The method includes purposive sampling, obtaining 9 samples from the population of construction companies actively listed on the Indonesia Stock Exchange for the period 2007-2023. The results of the study indicate that Profitability has a positive effect on capital structure in the period 2007-2023, as well as in the period before and after the 2014 government. Institutional ownership has a negative effect on capital structure in the period 2007-2023, as well as in the period before and after the 2014 government. Inflation has no effect on capital structure in the period 2007-2023, as well as in the period before and after the 2014 government. Exchange rates have a negative effect on capital structure, as well as in the period before and after the 2014 government. Inflation has no effect on company value in the period 2007-2023, as well as in the period before and after the 2014 government. Capital structure is able to mediate the effect of profitability, but has not been able to mediate in the period after the 2014 government. Capital structure is able to mediate the effect of institutional ownership on the value of the company, but has not been able to mediate in the period after the 2014 government. Capital structure has not been able to mediate the effect of inflation on the value of the company. Capital structure is able to mediate the influence of exchange rates on firm value in the period 2007-2023 and in the period before the 2014 government, but has not been able to mediate in the period after the 2014 government.

## INTRODUCTION

During the government before 2014, the infrastructure budget in 2010 was recorded at IDR 99 trillion and then rose 107 percent to IDR 178 trillion within five years. Bank World in the report on 2014 Once highlight low infrastructure investment that causes the Indonesian economy to continue to lag behind. Before the 1997-98 monetary crisis, investment in the infrastructure sector had reached 7 percent of GDP. However, in recent years it has only been below 5 percent. The following is a graph: Portion of the Infrastructure Budget in the APBN era before and after 2014. During the government era before 2014, the realization of the infrastructure budget was around 80 percent. Data on budget realization during the 2015 government period is not yet available. However, the Ministry of Public Works and Public Housing as the institution primarily responsible for infrastructure development recorded that budget absorption in 2015 was above 90 percent.

the magnitude source allocation budget infrastructure in the post-2014 government era is the result of the transfer of fuel subsidy funds, Which during This Wrong target. Based on data Bank World, during During the 2012-2014 government period, fuel subsidy funds continued to soar above IDR 200 trillion. And become post the biggest in State Budget in between post other. Whereas start 2015, policy government cut funds subsidy fuel Which during This burden the budget, provide fiscal space for additional infrastructure and education budgets And health. For chart Allocation Budget Government (Rp Trillion) can be seen as follows:

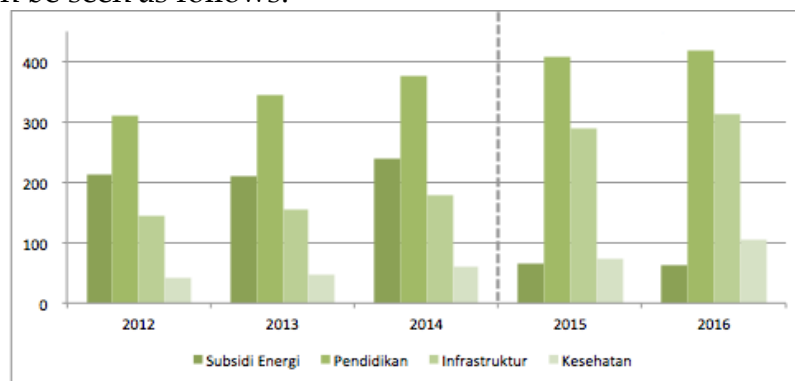


Figure 1. Allocation Budget Government (Rp Trillion)

Source: Ministry of Finance, 2022

The increase in the infrastructure budget during the government after 2014 was not without risk. Price commodity Which Still stressed added economic slowdown, causing state revenue targets to be missed. In turn, this has the potential to increase the budget deficit and increase the burden of state debt. There are many construction companies in Indonesia, where construction companies... divided become 3 (three) qualification namely: (1). Qualification big (B), (2). Medium qualifications (M1 and M2), and (3). Small qualifications (K1, K2 and K3). According to BPS data, the number of construction companies in Indonesia was 197,030 units in 2022. This number was corrected by 3.13% compared to the previous year which reached 203,403 units. However, not all construction companies in Indonesia are listed on the Indonesia Stock Exchange.

The crisis occurred the economy in Indonesia is inseparable from the impact of rising rates inflation. Spike inflation on year 2013 not off from action the government that often postpone policy monetary. On year 2007 level inflation reaching 13.06%, inflation in 2013 was the highest in the last five years (Aspyan et al., 2017). Inflation is one of the parameters assumed in a business plan to determine the level of feasibility of an investment project. construction. On the side other sector construction Also own contribution to the economy influenced by macroeconomic variables such as inflation and interest rates (Erol & Unal, 2015). inflation movements in several periods that fluctuate each year. However, in 2013 and 2014 the inflation rate increased from previous years, then in 2019 the research indicator showed the cessation of the rate of inflation fluctuation that occurred in the previous few years. Government-regulated price policies Which customized with price international make level inflation in Indonesia is increasingly closely correlated, especially to economic sectors. Construction activities are almost related to various phases of a country's economic development. In recent years, the macroeconomic level has discussed a lot about construction activities. Economic instability will have an impact on loans in the construction sector.

## LITERATURE REVIEW

The novelty in this study is the use of a new method that combines 3 research methods, namely panel data regression, SEM-PLS and ISM. And period taking sample study shared become three, that is period 2007-2023, period government before 2014 And period government after 2014. Until now, no research has been found that discusses or analyzes company value based on the combination of these 3 methods, as well as 3 different research periods.

Study it adopts an approach combination method (mixed) methods) to ensure the robustness of the model while testing the consistency of the results in various analysis conditions, including the temporal division of the government era (before and after the 2014 government era). This combination of methods not only aims for cross-validation, but also offers a comparative perspective that reveals the differences in the influence of research variables between period policy economy Which different. Claim novelty study lies in the integration of a multi-method approach that holistically analyzes the dynamics of corporate value across governance regimes, while providing a relevant policy evaluation framework for decision makers.

## METHODOLOGY

In study This, scope object study Which set writer namely in accordance with the problem to be studied is the value of the company with capital structure as an intervening variable, with the analysis of financial ratios used, namely profitability (ROE), institutional ownership, inflation, exchange rates and *dummy variables* for the period before and after the 2014 government in construction companies on the Indonesia Stock Exchange. In this study, the author determines the research unit in accordance with the problems studied regarding the value of the company and capital structure and economic conditions, especially inflation and exchange rates, namely using data report

finance annual company And data movement mark exchange rate and inflation in construction companies listed on the Indonesia Stock Exchange in the period before and after the 2014 government. The population in study This is 32 company construction Which registered in Exchange Indonesia Effect. For sampling techniques in study This use technique purposive sampling. Criteria withdrawal sample Which used by researcher is :

1. Company Construction Which has IPO since before year 2007 And never been delisted by the Indonesia Stock Exchange
2. Company Construction Which has IPO after year 2007 And No was once delisted by the Indonesia Stock Exchange
3. Construction companies that are no longer listed (delisted) on the Indonesia Stock Exchange for the period 2007-2023

As for sample company Which will observed in study This is :

Table 1. Sample Company Construction Which made into research observation

No	Issuer Name	Stock Code	IPO
1	PT. Sister Works (Persero) Tbk	BROTHER	18 March 2004
2	PT. Nusa Construction Engineering Tbk	DGIK	19 December 2007
3	PT. Jaya Construction Manggala Primary Tbk	JKON	4 December 2007
4	PT. Total Get up Company Profile	TOTAL	25 July 2006
5	PT. Sun The Universe Internusa Tbk	SSIA	27 March 1997
6	PT. Wijaya Works (Persero) Tbk	WIKA	29 October 2007
7	PT. Image Surname Nusaphala Persada Tbk	CMNP	10 January 1995
8	PT. Service Clan (Limited) Tbk	JSMR	12 November 2007
9	PT. Archipelago Infrastructure Tbk	META	18 July 2001

Study This use data secondary, that is data Which obtained indirectly from the company that is the object of research, secondary data is obtained in the form of annual company financial reports that are registered and published in stock exchange effect Indonesia. Type study Which used In this research, namely explanatory research, this research takes a case study on company construction Indonesia Which has registered in Exchange Effect Indonesia (BEI) for the last 17 years namely from 2007-2023, secondary data was obtained from the publication of the official website of the Indonesia Stock Exchange (BEI), namely [www.idx.co.id](http://www.idx.co.id).

## RESEARCH RESULTS

The population used in this study is 35 construction companies listed on the Indonesia Stock Exchange during the period 2007 to 2023. A certain number will be taken from the existing population as a sample. What is the name company Which will used in sample obtained from data on Exchange Effect Indonesia (BEI). *Non Probability Sampling* is a subjective sampling process, in this case the probability of selection elements population No can be determined and *purposive sampling* is form withdrawal sample Which based on on criteria certain (Sugiyono, 2013).

Criteria withdrawal sample Which used by researcher is :

1. Construction Companies that have IPO'd before 2007 and have never been delisted by the Indonesia Stock Exchange
2. Construction Companies that have IPO'd after 2007 and never delisted by the Indonesia Stock Exchange
3. Company construction Which Already No registered (delisting) in Exchange Indonesia Effects for the period 2007-2023

As for sample company Which will observed in study This is :

Table 2. Process Sampling

No	Characteristics Sample	Amount
1	Company Construction Which has IPO before year 2007 And Never delisted by Exchange Effect Indonesia And own report finance complete	35
2.	Company Construction Which has IPO after year 2007 And No Once delisted by Exchange Indonesia Effect	(23)
3.	Company construction Which Already No registered (delisting) in Indonesia Stock Exchange 2007-2023 period	(3)
<b>Amount Sample End</b>		<b>9</b>
<b>Observation Year</b>		<b>17</b>
<b>Amount Observation</b>		<b>153</b>

Table 3. Sample Study

No.	Name Issuer	Code Stock	IPO
1	PT. Sister Works (Persero) Tbk	BROTHER	18 March 2004
2	PT. Nusa Construction Engineering Tbk	DGIK	19 December 2007
3	PT. Jaya Construction Manggala Pratama Tbk	JKON	4 December 2007
4	PT. Total Get up The Kingdom Tbk	TOTAL	25 July 2006
5	PT. Sun The Universe Internusa Tbk	SSIA	27 March 1997
6	PT. Wijaya Works (Persero) Tbk	WIKA	29 October 2007
7	PT. Image Surname Nusaphala Persada Tbk	CMNP	10 January 1995
8	PT. Services Surname (Persero) Tbk	JSMR	12 November 2007
9	PT. Archipelago Infrastucture Tbk	META	18 July 2001

### Test hypothesis 1 influence profitability to capital structure

Based on the results of hypothesis 1 testing from panel data regression show that the Profitability variable has a positive effect. on the capital structure of *public construction companies* in the period 2007-2023, with a coefficient value regression as big as 0.888483 And mark probability as big as 0.0256 more smaller than 0.05. indicates that any increase in the profitability of the construction company will capable in a way significant improve structure capital construction company. On period before government 2014 show Profitability variable has a positive effect on capital structure, with a regression coefficient value of as big as 1.449403 And mark probability as big as 0.0231

more small from 0.05. In the period after the 2014 government shows the Profitability variable No influential to structure capital, with mark regression coefficient as big as 0.520586 And mark probability as big as 0.2632 more big from 0.05. The results are compared with the SEM PLS model. Based on the results of the hypothesis test with use SEM-PLS on table 4.16. show the result that variable profitability influential positive to structure capital with mark probability 0.000 more small from 0.05.

### **Test hypothesis 2 influence ownership institutional to capital structure**

Based on table 4.6, the results of hypothesis 2 testing from panel data regression show that that variable ownership institutional influential negative towards structure company capital *go construction public* in the period 2007-2023, with a regression coefficient value of -1.048204 and a probability value of 0.0339 smaller than 0.05, indicating that any increase in institutional ownership of construction companies will be able to significantly reduce the capital structure of construction companies. In the period before the 2014 government, it was shown that the institutional ownership variable had a negative effect on the capital structure, with a value of coefficient regression as big as -0.635174 And mark probability as big as 0.0276 smaller than 0.05. In the period after the 2014 government, it shows that the institutional ownership variable has a negative effect on the capital structure, with a value of coefficient regression as big as -1.559557 And mark probability as big as 0.0024 less than 0.05. Results the compared to with model SEM PLS. Based on results Hypothesis testing using SEM-PLS in table 4.16 shows the results that the institutional ownership variable has a negative effect on capital structure with a probability value of 0.000 which is smaller than 0.05.

### **Test hypothesis 3 influence inflation to structure capital**

Based on table 4.6, the results of hypothesis 3 testing from panel data regression show that the inflation variable has no effect on the capital structure of *public construction companies* in the period 2007-2023, with a regression coefficient value of as big as 1.058936 And mark probability as big as 0.3701 more big from 0.05. shows that every decrease or increase in inflation has not able to influence the capital structure of construction companies. In the period before the 2014 government, the inflation variable did not affect the capital structure, with a regression coefficient value of 2.103600 and a probability value of 0.3857 greater than 0.05. At period after government 2014 show variable inflation has no effect on capital structure, with a regression coefficient value of 2.601443 and the probability value of 0.3925 is greater than 0.05.

### **Test hypothesis 4 influence mark exchange rate to structure capital**

Based on table 4.6, the results of hypothesis 4 testing from panel data regression show that that variable mark exchange rate influential negative to structure capital of construction companies *going public* in the period 2007-2023, with the regression coefficient value as big as -1.142194 And mark probability as big as 0.0057 more small from 0.05, indicates that every improvement mark exchange rate give influence towards the decline in the capital structure of

construction companies. In the period before the government 2014 shows the exchange rate variable has an effect negative to structure capital, with mark coefficient regression of -0.980458 And mark probability as big as 0.0293 more small from 0.05. In the period after the 2014 government, it shows that the exchange rate variable has an influence negative to structure capital, with mark coefficient regression of -2.145536 And mark probability as big as 0.0008 more smaller than 0.05.

#### **Test Hypothesis 5 Influence Profitability To Mark company**

Based on the 9 results of the Hypothesis 5 test from the panel data regression, it shows that the profitability variable has a positive effect on the value of construction companies *going public* in the period 2007-2023, with a regression coefficient value of as big as 2.471488 And mark probability as big as 0.0000 more small from 0.05, indicating that any increase in the profitability of a construction company will be able to significantly increase the value of the construction company. In the period before government 2014 show profitability variables have a positive effect on capital structure, with a regression coefficient value of as big as 4.152522 And mark probability as big as 0.0000 more small from 0.05. On period after 2014 government data shows that the profitability variable has a positive effect on company value, with regression coefficient value as big as 3.145379 And mark probability as big as 0.0000 more small from 0.05.

#### **Test hypothesis 6 influence ownership institutional to company values**

Based on results test Hypothesis 6 from regression data panel shows that variable ownership institutional influential positive on the value of construction companies *going public* in the period 2007-2023, with mark coefficient regression as much as 1.521214 And mark probability by 0.0209 is less than 0.05, indicating that every increase in institutional ownership provides influence to improvement structure capital company construction. In the period before 2014 government show institutional ownership variables have a negative effect to the company's value, with the value coefficient regression as big as -1.633290 And mark probability as big as 0.0000 smaller from 0.05. In the period after the 2014 government, it shows that the institutional ownership variable has a positive effect on company value, with a value of coefficient regression of 1.185780 and a probability value of 0.0005 which is smaller than 0.05.

#### **Test hypothesis 7 influence inflation against company values**

Based on table 4.9, the results of testing Hypothesis 7 from panel data regression show that the inflation variable has no effect on the value of construction companies. *go public* on period 2007-2023, with mark coefficient regression of 0.349384 and the probability value of 0.8307 is greater than 0.05. indicating that any decrease or increase in inflation will not be able to influence the value of construction companies. In the period before the 2014 government, the inflation variable did not influential to mark company, with mark coefficient regression of 0.701570 and the probability value of 0.8188 is greater

than 0.05. At period after government 2014 show variable inflation has no effect on company value, with a regression coefficient value of 1.997160 and a probability value of 0.6921 which is greater than 0.05.

#### **Test hypothesis 8 influence mark exchange rate to company values**

Based on the results of the Hypothesis 8 test from the panel data regression, it shows that the exchange rate variable has a negative effect on the value of *public construction companies* in the 2007-2023 period, with a regression coefficient value of as big as -0.780039 And mark probability as big as 0.0043 more small from 0.05, shows that every increase in the exchange rate will be able to reduce the value of construction companies, and vice versa, if the exchange rate decreases, the value of construction companies will increase. In the period before the government 2014 shows that the exchange rate variable has a negative effect on the company's value, with a regression coefficient value of -0.799646 and a probability value of 0.0069 which is smaller than 0.05. In the period after the 2014 government, the exchange rate variable has a negative effect on the company's value, with a regression coefficient value of -4.168067 and a probability value of 0.0002 which is smaller than 0.05.

#### **Test hypothesis 9 influence structure capital to company values**

Based on the results of the Hypothesis 9 test from the panel data regression, it shows that the capital structure variable has a negative effect on the value of *public construction companies* in the 2007-2023 period, with a regression coefficient value of as big as -1.006009 And mark probability as big as 0.0000 more small from 0.05, the capital structure variable influential negative to mark company, with mark coefficient regression of -1.092503 and a probability value of 0.0000 is smaller than 0.05. it shows that the capital structure variable has a positive effect on the capital structure, with a regression coefficient value of 1.064802 and a probability value of 0.0074 smaller than 0.05.

#### **Hypothesis test 10 the role of capital structure in mediating profitability on firm value.**

Based on results test Hypothesis 10 from regression Panel data shows that the capital structure variable is able to mediate the effect of profitability on the value of *public construction companies* in the period 2007-2023 and in the period before 2014. Meanwhile, in the period after 2014, the capital structure has not been able to mediate the effect of profitability on company value.

#### **Hypothesis test 11 the role of capital structure in mediating institutional ownership on firm value.**

Based on Hypothesis 11 test results from regression Panel data shows that the capital structure variable is able to mediate the influence of institutional ownership on the value of *public construction companies* in the period 2007-2023. as well as on period before 2014. Whereas on period after 2014 capital structure has not been able to mediate the influence of institutional ownership on company value.

### **Hypothesis test 12 the role of capital structure in mediating inflation on firm value.**

Based on results test Hypothesis 12 from regression Panel data shows that the capital structure variable has not been able to mediate the influence inflation to mark company construction *go public* on period 2007- 2023, period before 2014 and period after 2014.

### **Hypothesis test 13 the role of capital structure in mediating exchange rate on firm value.**

Based on results test Hypothesis 13 from regression Panel data shows that the capital structure variable is able to mediate the effect of exchange rates on the value of *public construction companies* only in the period before 2014. Meanwhile, in the period 2007-2023, the period after 2014, the capital structure has not been able to mediate the effect of exchange rates on company value.

## **DISCUSSION**

### **Influence profitability to structure capital**

The empirical findings show that profitability has a positive effect. to structure capital company construction *go public* on period 2007-2023. Both in hypothesis testing on panel data regression models and testing hypothesis using model SEM-PLS. Research This in line with research by Margaritis, D., & Psillaki, M.(2010), Profitability is one of the factors that influences capital structure with the ability to generate company profits from various company activities through a number of policies and decisions taken by the company during period certain. Company with profit Which tall tend to finance their investments with retained earnings rather than financing with debt. However, in the results of this study, it turns out that companies prefer to use higher debt than equity, because when viewed from its profitability, the company is still able to pay its debt obligations.

### **Influence ownership institutional to the structure capital**

The empirical findings show that ownership structure has an influence negative to structure capital company *go construction public* in the period 2007-2023. Thus also in testing hypothesis use The SEM-PLS model shows that the ownership structure variable also has an effect negative to structure capital. Matter This show that the higher it is ownership institutional, will the more low level leverage construction company. Ownership institutional can reduce conflict agency because it is able to control and direct managers to create debt and dividend policies which side with interests institutional shareholders. Effective supervision will help creditors trust the company to provide loans and repay the obligations.

### **Influence inflation against structure capital**

The empirical findings show that inflation has no effect on company capital structure construction goes public in the period 2007-2023, good use model regression data panel and model SEM-PLS. Inflation has no effect on DER, indicating that changes in the inflation rate do not affect decision

company in determine proportion debt And equity. This means that inflation is not the main determining factor in capital structure decisions of construction companies in Indonesia. High inflation rates are usually associated with over-beaten economic conditions. This means that the economic conditions experience demand for products that exceeds the capacity of product supply so that prices tend to rise. experienced an increase. The high rate of inflation also increases the company's production costs and reduces the level of income received by the company.

#### **Influence mark exchange rate to structure capital**

The empirical findings show that the exchange rate has a negative effect on structure company capital *go construction public* in the period 2007-2023, using both panel data regression models and SEM-PLS models. This shows that construction companies consistently avoid value risk. swap with reduce debt when mark exchange rate USD go on. The exchange rate used in the study is the Rupiah exchange rate per US Dollar. The Rupiah exchange rate is the exchange rate of the Rupiah against the US Dollar. A decreasing Rupiah exchange rate indicates a strengthening of the Rupiah exchange rate against the US Dollar, while an increasing Rupiah exchange rate indicates a weakening of the Rupiah exchange rate against the US Dollar. The exchange rate can be used as an indicator of a country's economy, especially countries that use a floating rate exchange.

#### **Influence profitability to mark company**

The empirical findings show that profitability has a positive effect. on the value of *public construction companies* in the period 2007-2023. Even in hypothesis testing using the SEM-PLS model, the results showed that the profitability variable also had an effect positive on firm value. ROE has a positive effect on PBV, meaning that the higher the company's profitability (ROE), the higher the company's value (PBV). Companies with high ROE are considered to have good financial performance, thus attracting investor interest and increasing the company's valuation. The positive effect of profitability on firm value shows that profitability is a key factor in increasing the company's value in the eyes of investors. Profitability is the company's ability to generate profits (revenue) at the level of sales, assets and company share capital.

#### **Influence ownership institutional to company values**

The empirical findings show that institutional ownership has a positive effect on the value of *public construction companies* in the period 2007-2023. Even in hypothesis testing using the SEM-PLS model, it also shows that institutional ownership has a positive effect on company value. The positive influence of institutional ownership on firm value in a way overall show that, although There is difference In a given period, institutional ownership is generally considered to be an effective monitor, thus increasing the value of the company. Ownership structure is the composition of capital between debt and equity including the proportion between *inside shareholders* and *outside shareholders* . The ownership structure proxied by institutional ownership is the

proportion of shares owned by institutions at the end of the year measured by percentage. Level ownership institutional Which tall will cause greater monitoring efforts by institutional investors so that they can prevent managers from acting in their own interests, which will ultimately harm the company's owners.

### **Influence inflation to company values**

The empirical findings show that inflation has no effect on structure company capital *go construction public* in the period 2007-2023, good use model regression data panel and model SEM-PLS. Findings This indicates that changes in inflation rates do not affect the company's valuation in the eyes of investors. Inflation interpreted as increasing prices in a way general And continuously. Inflation is a common macroeconomic problem that is often encountered in various country. In general general inflation interpreted as a the process of increasing prices in an economy. If inflation increases, this indicates that the macroeconomic conditions of a country are not good, causing a decrease in the value of the company. Increased inflation can pose a higher risk for investors in assessing market prices, so investors will avoid this and will result in a decrease in the value of the company. It has no effect inflation against the value the company shows that construction company *go public* in Indonesia on period 2007-2023 Still capable overcome inflation that occurs in Indonesia.

### **Influence mark exchange rate to Mark company**

The empirical findings show that the exchange rate has a negative effect on the value of *public construction companies* in the period 2007-2023. In fact, the results of the hypothesis test using SEM-PLS in table 4.12 also show that the exchange rate variable has a negative effect on the company's value. Influence negative mark exchange rate This can explained that when mark exchange rupiah weaken to dollar US, cost import increase, Which can increase production costs and reduce the company's profitability. This makes the company less attractive to investors, thus reducing the company's value Which fluctuate And eye money is easily depreciated then the country's economy it can be said that it is bad. If mark Exchange rate increase so can it is said happen weakening exchange rate so that investors tend to reduce their portfolio investment activities in market capital. With thus results research means that exchange rate capable give signal for investors in stock exchange effect.

### **Influence structure capital to company values**

The empirical findings show that capital structure has a negative effect on the value of *public construction companies* in the period 2007-2023. it also shows that capital structure has a negative effect on company value. This means that increasing the proportion of debt in the company's capital structure can reduce the value of the company. This can be interpreted as an impact negative from debt to perception market And investors about Company stability and profitability. The results of this study can be referred to the Pecking Order Theory, which was put forward by Myers and Majluf (1984),

stating that companies prefer to fund their projects or operations using internal funding sources. (such as retained earnings) than external (debt or equity) due to information asymmetry. The results of this study can also refer to the Trade-Off Theory *proposed* by Kraus and Litzenberger (1973). Context impact negative debt to mark companies with trade-off theory is this theory states that companies choose a structure capital with balancing benefit tax from debt (*tax shield*) and bankruptcy costs.

### **Role structure capital in mediate profitability to company values**

High profitability can affect capital structure. A highly profitable company may have more retained earnings to finance its capital structure. operational And investment, so that reduce dependence on debt. Conversely, low profitability may encourage companies to seek external financing, including debt. The capital structure itself then affects the value of the company. An optimal capital structure can increase the value of the company by balancing the benefits savings tax from debt with cost bankruptcy Which potential. Investors tend to value a company higher if they see a healthy and efficient capital structure. Therefore, it is possible that profitability not only affects firm value directly, but also indirectly through its influence on capital structure decisions, which in turn affect mark company.

### **The role of capital structure in mediating institutional ownership on firm value.**

High institutional ownership is often associated with good corporate governance. Which more Good And supervision Which more strict to management. Large institutions have the resources and incentives to monitor firm performance, including financing decisions. This monitoring can influence a firm's choice of capital structure. For example, institutions may encourage firms to maintain optimal debt levels to maximize value, or conversely, limit excessive debt use to reduce risk. Furthermore, a firm's capital structure, which is how a firm finances its operations through a combination of debt and equity, directly affects firm value. An efficient capital structure can lower the cost of capital, **increase** profitability, and send positive signals to the market, ultimately increasing firm value.

### **The role of capital structure in mediating inflation on firm value.**

The results of the study indicate that capital structure has not been able to mediate the effect of inflation on firm value. This means that companies with debt have anticipated the effects of inflation on their debt costs and have locked in fixed interest rates, or have hedging strategies that reduce the sensitivity of capital structure to inflation. Inflation can affect a company's capital structure decisions. When inflation is high, the real value of debt will decrease, making debt financing more attractive. The capital structure itself then affects the value of the company. An optimal capital structure can minimize the cost of capital and maximize the value of the company. For example, the proper use of debt can provide tax savings benefits. However,

excessive debt can increase the risk of bankruptcy and reduce the value of the company in the eyes of investors.

### **The role of capital structure in mediating exchange rates on firm value.**

Mark exchange rate can influence structure capital company. Company which has debt in eye Money foreign (for example, loan in Dollar US) will feel the direct impact of changes in exchange rates. If the domestic currency weakens, the cost of foreign currency debt will increase, which can affect ratio debt And, on Finally, decision structure corporate capital . Conversely, a strengthening domestic currency will reduce the burden of foreign debt. Managers can respond to these fluctuations by adjusting their debt and equity composition.

### **Study Qualitative ISM**

In conducting qualitative research interpretive structural modeling (ISM) researchers create focus group discussions (FGD). To implement FGD with method discuss together for source person Which expert in field financial management especially securities and assisted by a moderator to confirm whether data results study quantitative Which done researcher have similarities or differences with qualitative research data confirmed by the sources. The expert sources came from PT Pratama Capital Assets Management and PT Adhi Karya (Persero) Tbk with the implementation of focus group discussions (FGD) on date 2 February 2024, results FGD is as following

#### **Influence profitability to structure capital**

The empirical findings show that profitability has a positive effect. to structure capital company construction *go public* on period 2007-2023. Both in hypothesis testing on panel data regression models and hypothesis testing using the SEM-PLS model, the results of quantitative research are in line with study qualitative. From results interview with Expert information obtained, high profitability indicates that the company has the ability to generate high profits so that it is able to pay short-term and long-term obligations. This is what causes profitability to have a positive effect on capital structure.

#### **Influence structure ownership on capital structure**

The empirical findings show that ownership structure has an influence negative to structure capital company *go construction public* in the period 2007-2023. Even in testing hypothesis use model SEM-PLS also shows that institutional ownership variables have a negative effect on capital structure. The results of quantitative research have similarities with qualitative research. From the results of interviews with experts, it is explained that the greater the institutional ownership, the more optimal the capital structure is, because the level of supervision is increasingly attached.

#### **Influence inflation against structure capital**

Results findings empirical model regression data panel and SEM- PLS shows that inflation No influential to structure capital construction

company go public on period 2007-2023. Results study quantitative has similarities with qualitative research. From the results of interviews with experts, it is explained that the construction companies that are the research samples are construction companies with a very large number of assets so that even though happen inflation so No will become problem for structure capital. This means that the construction company is still strong in facing inflation.

#### **Influence mark exchange rate to structure capital**

The empirical findings show that the exchange rate has a negative effect on structure company capital *go construction public* in the period 2007-2023, using both panel data regression models and SEM-PLS models. The results of quantitative research have similarities with qualitative research. From the results of interviews with experts, it is explained that the construction companies that are the research samples are construction companies with a very large number of assets. big so that although happen weakening mark exchange rate so company will optimize its capital structure by reducing its debt capital.

#### **Influence profitability to mark company**

The empirical findings show that profitability has a positive effect on the value of construction companies *going public* in the period 2007-2023. Even in hypothesis testing using the SEM-PLS model, it also shows results that variable profitability influential positive to company value. The results of quantitative research have similarities with qualitative research. From the results of interviews with experts, it is explained that the greater the profitability, the healthier the financial performance of the construction company, its shares will be the more interested in investors so that the company's value increase.

#### **Influence structure ownership to Company values**

The empirical findings show that ownership structure has a positive effect on the value of construction companies *going public* in the period 2007-2023. Even in hypothesis testing using the SEM-PLS model, it also shows that ownership structure has a positive effect on company value. The results of quantitative research have similarities with qualitative research. From the results of interviews with experts, it is explained that the greater the ownership institutional so mark company the more increase, Because the level of supervision that is increasingly attached causes the company to gain more trust from public investors.

#### **Influence inflation to company values**

The empirical findings show that inflation has no effect on structure capital company construction *go public* on period 2007-2023. The results of quantitative research have similarities with qualitative research. From the results of interviews with experts, it is explained that in construction companies inflation is not become attention investors share, Because inflation Which happen during the research period is not classified as hyperinflation.

### **Influence mark exchange rate to company values**

The empirical findings show that the exchange rate has a negative effect on the value of *public construction companies* in the period 2007-2023. In fact, the results of the hypothesis test using SEM-PLS in table 4.12 also show that the exchange rate variable has a negative effect on the company's value. The results of quantitative research are similar to qualitative research. From results interview with expert explained that exchange rate rupiah can be used as a basis for investment decisions for construction companies, especially on stock prices that cause changes in stock prices. The strengthening of the rupiah exchange rate indicates good macroeconomic conditions, so that construction projects are able to run well, which means that the decline in the exchange rate causes an increase in the company's value.

### **Influence structure capital to company values**

The empirical findings show that capital structure has a negative effect on the value of *public construction companies* in the period 2007-2023. Even in hypothesis testing using the SEM-PLS model, it also shows that capital structure has a negative effect on company value. The results of quantitative research are similar to qualitative research. From results interview with expert explained that debt Which too high raises concerns that the company is less able to pay its long-term debts

### **The role of capital structure in mediating profitability towards firm value**

Results findings empirical show that variable structure capital able to mediate the influence of profitability on the value of construction companies going public period 2007-2023 as well as on period before 2014. Whereas on period after 2014 capital structure has not been able to mediate the influence of profitability on company value. The results of quantitative research have similarities with research qualitative. From results interview with expert explained that Capital structure is able to mediate the influence of profitability on company value.

### **The role of capital structure in mediating institutional ownership on firm value.**

Results findings empirical show that the structural variables capital is able to mediate influence ownership institution to mark company construction *go public* in the period 2007-2023 and in period before 2014. While in the period after 2014 the capital structure has not been able to mediate the influence of institutional ownership on company value. The results of quantitative research have similarities with qualitative research. From the results of interviews with experts, it is explained that the capital structure is able to mediate the influence of institutional ownership on company value.

### **The role of capital structure in mediating inflation on firm value.**

Results findings empirical show that variable structure capital not yet able mediate influence inflation to mark company construction *go public* in the period 2007-2023, period before 2014 and period after 2014. The results of

quantitative research have similarities with qualitative research. From the results of interviews with experts, it is explained that the capital structure has not been able to mediate the effect of inflation on company value.

### **The role of capital structure in mediating exchange rates on firm value.**

Results findings empirical show that the structural variables capital is able to mediate the influence of exchange rates on the value of construction companies *going public* only in the period before 2014. Meanwhile, in the 2007-2023 period, the period after 2014, structure capital Not yet capable mediate influence mark exchange rate against company value. The results of quantitative research have similarities with research qualitative. From results interview with expert explained that Capital structure is able to mediate the influence of exchange rates on company value.

## **CONCLUSION AND RECOMMENDATIONS**

1. Hypothesis First study measure influence profitability (ROE) on capital structure (DER). The research results consistently show that profitability (ROE) has a positive effect on capital structure (DER), both based on panel data regression analysis, SEM-PLS, and Interpretive Structural Modeling (ISM). The research results contradict the initial hypothesis Which predict influence negative. Findings This indicates that construction companies with high levels of profitability tend to increase usage debt in its capital structure. This can be explained by the tendency of companies with strong financial performance to use leverage to expand new projects or investments, because of access towards funding is relatively easier.
2. The second hypothesis of the study measures the influence of institutional ownership on structure capital (DER). Results study in a way consistent shows that institutional ownership has a negative effect on capital structure (DER), both based on panel data regression analysis, SEM-PLS, and Interpretive Structural Modeling (ISM). This finding is in line with the initial hypothesis that predicts a negative effect, indicating that the higher the ownership of shares by institutions, the lower the company's dependence on debt financing.
3. The third hypothesis of the study tests the effect of inflation on capital structure (DER). The research results consistently show that inflation does not have a significant effect on capital structure, based on data regression analysis. panel, SEM-PLS, and Interpretive Structural Modeling (ISM). The construction sector tends to be long-term oriented, making it less responsive to short-term inflation fluctuations. This finding is contrary to the initial hypothesis that predicted a negative effect, indicating that fluctuations in the inflation rate do not directly affect corporate financing decisions. construction.
4. The fourth hypothesis of the study examines the effect of the exchange rate (KURS) on the capital structure (DER). Findings This in line with hypothesis beginning Which predict influence negative, indicating that the depreciation of the rupiah exchange rate (increase in the exchange rate) causes construction companies to reduce their dependence on debt

- financing. The results of the study support the modified trade-off theory, where companies avoid increasing debt when the exchange rate weakens.
5. The fifth hypothesis of the study tests the effect of profitability (ROE) on value. company (PBV). Results study in a way consistent show that profitability has a positive effect on company value, based on analysis regression data panel, SEM-PLS, and Interpretive Structural Modeling (ISM). The results of the research before and after 2014 obtained the following results: Before Year 2014: Profitability (ROE) influential positive to PBV. That is, the higher it is profitability company, the more tall also company value. Matter This show that investors value construction companies that have good financial performance (high return on equity) by providing higher valuations.
  6. The sixth hypothesis of the study examines the effect of institutional ownership on firm value (PBV). The results of a comprehensive analysis through panel data regression, SEM-PLS, and Interpretive Structural Modeling (ISM) consistently prove that institutional ownership has a positive effect on firm value. This finding fully supports the initial hypothesis and provides strong empirical validation of the strategic role of institutional investors in increasing the market valuation of construction companies. Before 2014: The negative effect of institutional ownership on firm value indicates investors' perception that institutional ownership institutional
  7. The seventh hypothesis of the study examines the effect of inflation on firm value. Results analysis Which comprehensive through regression data panel, SEM-PLS, and Interpretive Structural Modeling (ISM) show that inflation has no effect on firm value. The results of the research before and after 2014 obtained the following results: Before Year 2014: Inflation No own influence significant to company value, meaning that changes in the inflation rate do not affect how the market values the company. company construction.
  8. The Eighth Hypothesis of this study examines the effect of exchange rates (CURS) on firm value (PBV). The results of a comprehensive analysis through panel data regression, SEM-PLS, and Interpretive Structural Modeling (ISM) consistently show that exchange rates have no effect on firm value. This finding does not support the initial hypothesis that exchange rate depreciation has a negative effect on the market valuation of construction companies. However, the results of the study actually show that exchange rates do not significantly affect PBV.
  9. The ninth hypothesis of this study examines the effect of capital structure (DER) on firm value (PBV). The results of a comprehensive analysis through panel data regression, SEM-PLS, and Interpretive Structural Modeling (ISM) consistently prove that capital structure has a negative effect on firm value. This finding fully supports the initial hypothesis and provides strong empirical validation of the impact of leverage on the market valuation of construction companies. The results of the study are in line with the *Pecking Order Theory*, where companies prefer funding

internal (profit detained) than debt, related existence signal information asymmetry.

10. The tenth hypothesis of the study measures the role of capital structure in mediating profitability on firm value. The results of the study are consistent show that structure capital capable mediate profitability on firm value, both based on the Sobel test in panel data regression analysis, and Interpretive Structural Modeling (ISM). This finding is in line with the initial hypothesis that predicts the mediation of capital structure on the effect of profitability on firm value.
11. The eleventh hypothesis of the study measures the role of capital structure in mediating institutional ownership on firm value. The results of the study consistently show that capital structure is able to mediate institutional ownership on firm value, both based on the Sobel test in panel data regression analysis, and Interpretive Structural Modeling (ISM). This finding is in line with the initial hypothesis that predicts the mediation of capital structure on the influence of institutional ownership on firm value.
12. The twelfth hypothesis of the study measures the role of capital structure in mediating inflation. on the company's value. The results of the study are consistently shows that structure capital Not yet capable mediate influence inflation on company value, both based on the Sobel test in panel data regression analysis, and Interpretive Structural Modeling (ISM). This finding is not in line with the initial hypothesis that predicts the mediation of capital structure on the effect of inflation on firm value.
13. The thirteenth hypothesis of the study measures the role of capital structure in mediating exchange rate values. rupiah against the value company. Results research consistently shows that capital structure is able to mediate the influence of value exchange rate towards the company's value, both based on the sobel test in panel data regression analysis, and Interpretive Structural Modeling (ISM). This finding is in line with the initial hypothesis that predicts the existence of capital structure mediation on the influence of the rupiah exchange rate on company value.

## **ADVANCE RESEARCH**

Profitability Management and Ownership Structure. Companies need to pay more attention to profitability and ownership structure, considering that these two variables have been proven to have a significant effect on capital structure and company value. Optimizing financial policies that pay attention to these two aspects can improve company performance in the long term. Management of Exchange Rate Risk (Rupiah Exchange Rate). Fluctuations in the rupiah exchange rate have been proven to affect the company's value, so management needs to implement hedging strategies or other policies that can mitigate foreign exchange risk, especially for companies involved in dollar-denominated projects or working with foreign contractors. Monitoring of Macroeconomic Factors (Inflation and Political Dynamics). Although inflation No significant in study This, in a way theoretical, inflation still is a crucial macroeconomic indicator in the construction industry.

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