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The Influence of Profitability, Capital Structure and Intellectual Capital on Company Value with Good Corporate Governance as Moderation (Case Research on Construction Sector Companies Listed on the IDX in 2019-2023)

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ABSTRACT

The construction sector plays a vital role in Indonesia's economic development, contributing 9.9% to GDP in 2023. However, companies in this sector face significant challenges in maintaining firm value due to high financial risks, volatile cash flows, and substantial debt burdens, as evidenced by the suspension of major issuers such as PT Waskita Karya and PT Wijaya Karya. This research analyzes The Influence of Profitability, Capital Structure and Intellectual Capital on Company Value with Good Corporate Governance as Moderation (Case Research on Construction Sector Companies Listed on the IDX in 2019-2023), with Good Corporate Governance (GCG) serving as the moderating variable, particularly in construction sector companies listed on the Indonesia Stock Exchange during the 2019–2023 period. The method employed is regression analysis using the Fixed Effect Model approach. The results indicate that profitability has a positive but insignificant effect on company value, while capital structure has a negative and significant effect. Intellectual capital shows a positive but insignificant influence, and GCG cannot moderate the effect of profitability on company value but can weaken the negative impact of capital structure. These findings highlight the importance of prudent debt management and effective GCG implementation to enhance the value of companies in the construction sector.

KEYWORDS *profitability, capital structure, intellectual capital, company value, Good Corporate Governance, construction sector, Indonesia Stock Exchange.*

INTRODUCTION

The main goal of a company from an economic perspective is to generate profits and increase those profits over time by developing the company (Saura et al., 2021). According to Martono and Harjito (2010), this goal is reflected in efforts to maximize the value of the company as seen from the share price. To achieve these goals, growing companies often require additional capital, which can be obtained through debt or by issuing new shares to the public. This process is generally carried out by companies that go public, which sell some of their shares and list them on the Indonesia Stock Exchange.

Construction sector companies, especially those classified as the heavy construction and civil engineering sub-industry, have an important role in the Indonesian economy with a contribution of 9.9% to the Gross Domestic Product (GDP) in 2023. However, despite its significant contribution, this sector has experienced a marked decline in the value of stock prices, as seen in the case of PT Waskita Karya (Persero) Tbk which experienced a suspension of stock trading due to the delay in bond interest payments. The company's financial statements in the first quarter of 2023 showed a net loss of 39.36 billion and a very high debt-to-equity ratio, reaching 6.1 or 610 percent, which raised concerns among investors. This situation highlights the vulnerability of construction companies to financial instability and the importance of sound financial management practices. Studies have shown that construction firms with high debt levels are more susceptible to financial distress, which can lead to operational disruptions and loss of stakeholder confidence (Hwang & Ng, 2013; Zhang et al., 2015). Additionally, the lack of effective risk management strategies in the construction industry can exacerbate financial challenges, leading to project delays and cost overruns (Aibinu & Jagboro, 2002; Olaniran & Oladokun, 2021).

This situation is exacerbated by the potential delisting of construction issuers such as PT Mitra Pemuda Tbk, which has been suspended for 48 months. The Indonesia Stock Exchange stipulates that the elimination of issuers can occur if the company experiences significant negative conditions for business continuity, both from a financial and legal perspective. This removal can also be done if the issuer is stuck in suspension in the regular market and cash market, and has only traded in the negotiation market for the past 24 months. This shows the major challenges faced by companies in the construction sector, where good debt management and financial health are essential to maintain sustainability and attract investors.

Chart 1. Stock Price
Source: Yahoo.com

Judging from the chart above, the average share price in the Heavy Construction & Civil Engineering sub-industry experienced a decline from 2018 to 2023. In 2018, the rupiah exchange rate against the United States dollar weakened considerably, depreciating by 6.38%. Bank Indonesia stated that heightened global financial market

uncertainty triggered a strengthening U.S. dollar, putting pressure on the rupiah to depreciate (Purnomo & Setiaji, 2018).

Companies in the Heavy Construction & Civil Engineering sector with debt denominated in foreign currency experienced a significant increase in their debt burden, further exacerbated by the weakening rupiah and the impact of the COVID-19 pandemic, which resulted in a lack of ongoing projects and many companies going out of business. This high debt burden created investor doubts about purchasing shares in the construction sector, leading to a decline in average stock prices. The financial health of these companies is strongly influenced by their ability to manage debt. Companies that can manage their finances effectively tend to have a more positive market valuation.

A company's value is greatly influenced by profitability, which indicates its ability to generate profit from sales, capital, and total assets. High profitability attracts more investors, which can increase dividends and stock prices, positively impacting firm value. However, some studies have shown that profitability can also have a negative impact, particularly when companies choose to retain profits instead of distributing them as dividends, potentially creating negative sentiment among investors. In addition, capital structure—comprising the mix of debt and equity—also plays an important role in influencing company value.

The use of different funding sources, both debt and equity, affects the overall financial composition. The higher the leverage, the greater the pressure on a company to meet its interest and debt obligations. If not managed properly, this increases the risk of bankruptcy; therefore, companies need to maintain a reasonable debt-to-equity ratio. With effective debt and cash flow management, companies can achieve an optimal capital structure that positively affects firm value. Research shows that an appropriate capital structure, as measured by the Debt to Equity Ratio (DER), significantly impacts a company's performance and productivity.

Intellectual capital is also a key determinant of company value, encompassing the knowledge, skills, and expertise of employees. Studies indicate that intellectual capital positively affects company value; however, limited disclosure of intellectual capital in financial reports can diminish this effect. To maximize its benefits, companies should integrate intellectual capital into their business strategies and recognize the importance of intangible assets. Considering these critical factors in determining firm value and the unique challenges faced by the construction sector, this research aims to comprehensively analyze *The Influence of Profitability, Capital Structure and Intellectual Capital on Company Value with Good Corporate Governance as Moderation (Case Research on Construction Sector Companies Listed on the IDX in 2019–2023).*

Furthermore, this research examines the moderating role of Good Corporate Governance (GCG), measured through institutional ownership, in strengthening or weakening these relationships. The implementation of GCG can enhance investor confidence and improve company performance by providing effective oversight mechanisms and ensuring transparency in financial decision-making. This research contributes to the literature by offering empirical evidence specific to the construction

sector, which has distinctive characteristics such as long project cycles, high financial leverage, and substantial cash flow volatility. The findings have practical implications for construction company management in formulating strategies to enhance firm value and for investors in making informed investment decisions. Additionally, this research provides insights for policymakers regarding the effectiveness of corporate governance mechanisms in mitigating financial risks in capital-intensive industries.

METHOD

This research used a quantitative research method. According to Sugiyono (2021), quantitative research examines cause-and-effect relationships between independent and dependent variables. The study was conducted on Heavy Construction & Civil Engineering sub-industry companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023, using data obtained from the IDX website and the official websites of the respective companies to access published financial statements. The research was carried out from January to April 2025.

Data collection involved gathering secondary data in the form of financial statement documentation from 2019 to 2023. These financial statements were obtained from the IDX and company websites. The data were analyzed using pooled regression analysis with Stata 16.1 software. Pooled data combines time series and cross-sectional elements, allowing for more comprehensive statistical analysis (Ghozali & Ratmono, 2020).

RESULTS AND DISCUSSION

Classical Assumption Test

Multicollinearity Test

In this research, the multicollinearity test was carried out using the Variance Inflation Factor (VIF). VIF serves to estimate the extent to which independent variables correlate with other independent variables in the model. According to Cameron and Trivedi (2010), a high VIF value indicates the presence of strong multicollinearity. In general, the rules of thumb used are as follows:

a. VIF < 10: No serious multicollinearity occurs
b. VIF □ 10: There is a high indication of multicollinearity

The following is a table of the results of the VIF calculation for the independent variables in this research:

Table 1. VIF Calculation Results

Variable	VIVID	1/VIF
X1 Profitability	1.52	0.658874
X2 Capital Structure	1.40	0.714916
X3 Intellectual Capital	1.15	0.866173
M Good Corporate Governance	1.05	0.950344
Mean VIF	1.28	

Based on the results of the VIF calculation with an average VIF of 1.28, the variables X1, X2, X3, and M have a VIF value of < 10, which shows that there are no

serious multicollinearity problems in this regression model. Thus, the model used can be said to be stable and does not experience distortion due to the high linear relationship between independent variables (Cameron & Miller, 2015).

Heteroscedasticity Test

Heteroscedasticity occurs when the residual variance in the regression model is not constant across observations, which can cause the estimation of regression parameters to be inefficient and result in biased error standards (Gujarati & Porter, 2009). In this research, to be able to detect the presence of heteroscedasticity, the Modified Wald Test was performed, which is specifically used to test heteroscedasticity in the regression of panel data with fixed effects (Fixed Effect Model) (Cameron & Trivedi, 2010). The hypotheses tested in the Modified Wald Test are as follows:

H0 : Homoskedasticity (constant residual variance)

H1 : Heteroscedasticity (non-constant residual variance)

The test results showed that the value of chi2 (16) = 10028.23 with a Prob > chi2 = 0.0000, so the null hypothesis (H0) was rejected. It can be concluded that there is heteroscedasticity in the regression model used. To overcome the problem of heteroscedasticity, corrections were made using clustered standard errors. According to Cameron and Miller (2015), clustered standard errors are an effective method to solve the problem of heteroscedasticity in panel data, as it can adjust the error standard by considering the structure of the group (in this case the company).

Some of the main reasons for using clustered standard errors in panel data regression are:

1. Addresses the standard error bias due to heteroscedasticity, by allowing residual variances to differ between firms but remain constant within the same firm.
2. Accommodate the possibility of correlations within the group, because in the data panel, observations on one company may be more highly correlated than on another company (Cameron & Trivedi, 2010)
3. Improve the accuracy of statistical inference, by producing a more robust standard of error against non-uniform residual variability (White, 1980).

In this research, clustered standard errors were applied by grouping the residual by company. With this method, the residual variability in the group of companies is taken into account so that the standard error estimate becomes more accurate (Cameron & Miller, 2015; Cameron & Trivedi, 2010; White, 1980). With this correction, the regression model becomes more robust with heteroscedasticity, so that the estimation results can be interpreted more accurately and more reliably for economic and financial decision-making (Cameron & Miller, 2015; Gujarati & Porter, 2009; Huber, 1967; White, 1980).

Autocorrelation Test

Autocorrelation occurs when the residual in the regression model is intercorrelated between time periods, thus causing parameter estimation to be biased and inefficient (Gujarati & Porter, 2009). To test the presence of autocorrelation in the model, the Wooldrige Test was performed, which was specifically used to test the autocorrelation

between the current residual and the residual of the previous period in the panel data (Wooldridge, 2010).

In the wooldridge test to detect autocorrelation in the panel data, the decision to accept or reject the null hypothesis (no autocorrelation) is based on a probability value (p-value). If the p-value < 0.05, then the null hypothesis is rejected which means that there is an autocorrelation in the model (Cameron & Trivedi, 2010; Gujarati & Porter, 2009; Wooldridge, 2010).

Based on the test results, the value of F = 28.418 was obtained with a Prob > F = 0.0001, which means that the null hypothesis was rejected. So it can be concluded that there is an autocorrelation in the regression model used.

The existence of this autocorrelation suggests that the residual of one time period has a correlation with the residual of the previous period, which can cause the standard regression error to be smaller than it should be, thus increasing the risk of errors in statistical inference (Woodridge, 2010). To overcome this autocorrelation problem, correction is carried out with clustered standard errors, which is an effective method in dealing with autocorrelation and heteroscedasticity in the panel data (Cameron & Miller, 2015).

According to Cameron & Trivedi (2010), and White (1980), clustered standard errors are superior to standard corrections because:

1. Ensure valid standard error estimates despite autocorrelation within group units (companies)
2. Overcome biases that arise due to heteroscedasticity and autocorrelation, which can lead to standard errors being under-estimated or over-estimated.
3. Provides more robust results on residual variability, thereby improving reliability in regression analysis.

In this research, clustered standard errors were applied by grouping residual by company, so that the resulting error standards were more robust to autocorrelation. With this correction, the error standard obtained becomes more reliable for testing the significance of variables in the F-test, t-test and moderation test, which will be discussed in the next section.

Hypothesis Test

F Test (Simultaneous)

Based on the results of regression estimation using the Fixed Effect Model (FEM) approach using clustered standard errors which can be seen in Table 4. The results of the F Test obtained a statistical F-value of 53.80 with a p-value of 0.0000. This result explains that the p-value < 0.05, so it can be concluded that there is a simultaneous influence of independent variables (Profitability, Capital Structure, Intellectual Capital, Good Corporate Governance) on dependent variables (Company Value).

Table 2. F Test Results

Criteria	Value
Number of Observations	80
Number of Groups	16
F-statistic (F(4,14))	53.80
Prob > F	0.0000

Source: Stata analysis output (2025)

T-test (Partial)

The t-test in this research was used to analyze profitability (X1), capital structure (X2), intellectual capital (X3), and Good Corporate Governance (M) on company value (Y). profitability is measured by ROCE, capital structure with DER, intellectual capital with VAIC, Good Corporate Governance with Institutional Ownership (IP), and company value with tobin's Q.

In this research, significance testing was carried out using a significance level of 10%. If the p-value is smaller than the established significance level, then the null hypothesis is rejected and an alternative hypothesis is accepted (Gujarati & Porter, 2009).

Based on the results of regression estimation with the Fixed Effect Model (FEM) using clustered standard error, the results of the t-test were obtained as follows:

Table 3. Test Results t

Variable	Coefficient	Std. Error	t-Statistics	p-Value
ROCE (X1)	0.0077079	0.1470136	0.05	0.959
DER (X2)	-0.0198445	0.0018165	-10.92	0.000***
VAIC (X3)	0.0193602	0.0130971	1.48	0.160
KI (M)	1.221838	1.097194	1.11	0.283

Source: Data Processing Results with Stata 16.1 (2025)

Description: ***significant at the level of 1%; **significant at the rate of 5%; *significant at the level of 10%

Based on the table above, the t-test analysis reveals a nuanced relationship between the independent variables and firm value. While Profitability (ROCE) and Intellectual Capital (VAIC) both show a positive relationship with Tobin's Q, their effects are not statistically significant, as indicated by their high p-values and low t-statistics. Similarly, Good Corporate Governance (GCG), measured by institutional ownership, also demonstrates a positive but statistically insignificant influence on firm value.

In stark contrast, Capital Structure (DER) exhibits a statistically significant and negative impact on Tobin's Q. This relationship is confirmed by a very high absolute t-value and a p-value of 0.000, indicating that an increase in debt relative to equity leads to a reliable decrease in company value. Therefore, among all factors tested, only the capital structure demonstrates a definitive and strong effect on firm value in this model.

Moderation Testing

This section discusses the results of the Moderation test in the research on the influence of profitability, capital structure, and intellectual capital on company value with Good Corporate Governance (GCG) as the moderation variable. This research was conducted on 16 construction companies listed on the Indonesia Stock Exchange from

2019-2023. To estimate the regression in this research, the Fixed Effect Model (FEM) approach with clustered standard errors will be used.

The use of clustered standard errors allows differences in heteroscedasticity and autocorrelation within each group (firm) to be taken into account, so that the resulting error standards will be more accurate to handle intra-cluster correlations (Cameron & Miller, 2015). The moderation test was carried out by adding the interaction between Good Corporate Governance (KI) and each independent variable, namely profitability (ROCE), capital structure (DER), and intellectual capital (VAIC). The regression results with clustered standard errors are shown in the following table:

Table 4. Moderation Test Results

Variable	Coefficient	Std. Error	p-value	Conclusion
ROCE * KI	1.785259	1.066024	0.115	Not Moderation
DER* KI	-0.2742289	0.1324229	0.056*	Weakens
VAIC * KI	-0.0962615	0.0989803	0.346	Not Moderation

Description: *** significant at the level of 1%; ** significant at the rate of 5%; *significant at the level of 10%

Based on the regression results, the analysis of Good Corporate Governance (GCG) as a moderating variable reveals its limited yet distinct role. While GCG shows a tendency to strengthen the relationship between profitability and firm value, this moderating effect is not statistically significant. Similarly, its apparent weakening effect on the relationship between intellectual capital and firm value also lacks statistical significance. However, GCG demonstrates a significant moderating influence on the relationship between capital structure and firm value. With a p-value of 0.056, this effect is statistically significant, and the negative coefficient indicates that institutional ownership effectively weakens the negative impact that a high-debt capital structure has on company value.

Discussion

The Effect of Profitability on Company Value

The results of this research show that profitability has a positive and insignificant effect on the company's value. This means that the more profitability increases, the more the company's value will increase. However, there is not enough strong statistical evidence to conclude that profitability can significantly affect a company's value. Thus, the H1 hypothesis which states that profitability has a positive and significant effect on the value of the company is rejected. According to Rahmaniar & Rizky (2022), high profits cannot be said to increase the value of the company. This research is in line with research from Harahap et al (2018), Sondakh (2019), Reschiwati et al (2020), Suroto & Nugraha (2022) that profitability has no effect on company value.

The construction industry is an industry with high financial risks related to long-term debt and corporate cash flow. Holm (2019) noted that the construction industry has a long project cycle and dependence on external funding, which causes cash flows to be often unstable despite positive financial statements. It can be seen from the case of Waskita Karya and recently Wijaya Karya, two large construction companies in Indonesia

whose shares were suspended from stock trading due to bond debt defaults. Although Waskita Karya's financial statements recorded operating profit, it failed to pay the coupon on the maturing bonds. Wijaya Karya is facing high liquidity pressure due to large debts and delays in payments of strategic projects (CNBC Indonesia, 2023, 2024a). These two cases reinforce the argument that profitability does not guarantee an increase in the value of a company if it is accompanied by the risk of default and cash flow instability.

According to Peterson (2009), companies that have large amounts of bond debt often experience an imbalance between the profits recorded in the financial statements and the availability of cash that can be used to pay its short-term obligations. In this condition, investors pay more attention to the risk of default than just the level of profitability, so an increase in profitability does not mean that it will increase the market value of the company (Brigham & Erdhardt, 2020). In addition, the company's projected value with Tobins' Q reflects market expectations of the company's financial stability (Gitman & Zutter, 2015). When investors see that the company is under financial pressure due to high debt burden, it tends to lower the company's stock valuation even though the company's profit is still positive in terms of accounting.

The results of this research are different from the view of classical financial theory which states that the higher the profitability, the more the value of the company will increase because investors will assess the company as a profitable entity and have good prospects (Brigham & Erdhard, 2022). However, in the context of construction, investors tend to avoid the risk of default despite high profits, as project revenues are often delayed and illiquid (Holm, 2019).

In addition, these results also contradict the research of Akhmadi & Januarsi (2021), Mubyarto (2020), Hermuningsih et al (2022), Majid & Purwanto (2024) which found that profitability has a positive and significant effect on company value. Research by Akhmadi & Januarsi (2021) which explains that SRI-KEHATI companies tend to have high profitability followed by a consistent dividend policy and ESG reputation so that the market responds directly. This difference is likely due to the characteristics of the construction sector that are more susceptible to project uncertainty and liquidity pressures. Thus, it can be concluded that profitability is not the main factor that affects the value of companies in the construction sector, but there are various other factors that are more dominant.

The Influence of Capital Structure on Company Value

This study confirms that a capital structure with a high proportion of debt has a significant negative impact on the value of construction companies, leading to the acceptance of the H1 hypothesis (Fitria & Irhami, 2021; Liao et al., 2022; Santosa et al., 2022). This finding aligns with the trade-off theory (Gitman & Zutter, 2015), which posits that while debt offers benefits like tax savings, excessive use increases financial risk and the threat of default. As explained by Brigham and Erdhart (2020), this heightened risk prompts investors to demand higher returns, elevating funding costs and ultimately diminishing firm value.

The construction sector is particularly vulnerable to these risks due to its long-term projects and uncertain cash flows (Holm, 2019). This industry-specific context explains why the present findings contradict studies from more stable sectors like manufacturing, where debt can be managed more efficiently (Gitman & Zutter, 2015; Novitasari & Krisnando, 2021). Real-world examples from major Indonesian issuers like PT Waskita Karya (WSKT) and PT Wijaya Karya (WIKA), which faced bond defaults and severe financial pressure (CNBC Indonesia, 2020), illustrate how an over-reliance on debt can trigger a decline in company value.

The results of this research confirm that the use of debt that is too high can have a negative impact on the value of companies, especially in the construction sector. Therefore, construction companies need to establish a balanced capital structure and consider financial risks in their funding policies in order to maintain the company's value in a sustainable manner (Gitman & Zutter, 2015).

The Influence of Intellectual Capital on Company Value

The results of this research show that intellectual capital has a positive and insignificant effect on the value of the company. This means that the more intellectual capital increases, the more the company's value increases. However, there is not enough strong evidence to conclude that intellectual capital can significantly affect a company's value. Thus, the H1 hypothesis that intellectual capital has a positive and significant effect on the value of the company is rejected. This research is in line with Subaida et al. (2017), and Sasongko et al. (2019), Saraha et al. (2022), Andayani et al. (2024) and Choirunnisyah & Aisyah (2022) that intellectual capital has no effect on company value.

According to Ulum (2016). Intellectual capital consists of human capital (knowledge, skills), structural capital (internal processes, technology, systems), and relational capital (relationships with customers and partners). All three are important components in creating value added and long-term competitive advantage. However, if it is not managed and disclosed strategically, the value of IC will be difficult to recognize by the market, so it does not have a direct impact on the company's value in the eyes of investors.

Holm (2019) explains that construction companies face the risk of erratic cash flow, liquidity pressures, and challenges in long-term project financing. In these conditions, companies focus more on managing direct costs and completing projects, so intellectual capital development is often not a top priority and its impact on company value has not been seen directly.

Gitman & Zutter (2015) stated that investors pay more attention to financial indicators that can be seen and measured, such as cash flow, income, or capital structure. Brigham & Erhardt (2020) also explained that a company's value is heavily influenced by factors that can be directly measured, such as cash flow, profitability, and financial risk. Investors tend to place higher value on companies that demonstrate funding certainty and the ability to generate cash flow in the future consistently. Therefore, the influence of intangible assets such as intellectual capital tends to be invisible in the short term and takes longer to impact the value of the company.

According to Resource-Based Theory, companies will gain a competitive advantage if they are able to manage resources that are valuable, scarce, difficult to replicate by competitors, and managed in an effective way (Barney, 1991). As explained by Ulum (2016), IC will only meet these criteria if it is supported by a good management and reporting strategy. Without this, the potential of IC remains hidden and has not been able to increase the market value of the company.

This phenomenon can also be seen in PT Waskita Karya (WSKT), PT Wijaya Karya (WIKA), and PT Mitra Pemuda (MTRA) which are experiencing serious financial pressure and suspension of stock trading (CNBC Indonesia, 2020, 2023, 2024a). Although these companies have experts, project experience, and an extensive network of relationships, the intellectual capital they have is not enough to maintain or increase the value of the company in the eyes of investors.

This research is different from Ferdiansyah & Faisal (2020) that intellectual capital has a positive effect on the value of companies in manufacturing companies. Ni et al (2021), Nasution & Ovami (2021), Gantino et al. (2023) and Appah et al. (2023) found that intellectual capital has a positive effect on company value. This difference in results can be explained by the characteristics of the industry. The construction sector has a business structure that relies more on physical assets, operational efficiency, and funding stability, so the existence of intellectual capital has not been the main focus in market valuations.

Intellectual capital has not had a real impact on the value of companies in the construction sector, as it is still not part of the main strategy in operations and managerial reporting. In line with the views of Ulum (2016) and Holm (2019), construction companies tend to focus more on project management and cash flow than on the development of intangible assets, so the potential of intellectual capital has not been fully reflected in market valuations.

The Influence of Good Corporate Governance on Company Value

The results of this research show that Good Corporate Governance (GCG) proxied with institutional ownership has a positive and insignificant effect on company value. This means that the more GCG increases, the more the company's value will increase. However, there is not enough strong evidence to conclude that GCG can significantly affect grades. Thus, the H1 hypothesis which states that Good Corporate Governance has a positive and significant effect on the company's value is rejected. The results of this research are in line with Kurniati (2019), Andayani et al. (2024), and Yudha et al. (2024) that good corporate governance has no effect on company value. GCG is proxied through institutional ownership. This proxy is used because theoretically the shareholder institution is considered to have the capacity to exercise oversight over management (Shleifer & Vishny, 1997).

Agency theory explains that institutional ownership structures have the potential to reduce conflicts of interest between owners and managers, thereby improving the performance and value of the company (Jensen & Meckling, 1976). However, as explained by Giman & Zutter (2015), although institutional investors have the capacity

to influence corporate governance, such influence will arise if they choose to pressure management or actively exercise their voting rights. So in practice, not all institutions are actively involved in supervision.

According to Gitman & Zutter (2015), a company's value is more influenced by operational performance and an efficient financial structure. Thus, the existence of institutions as shareholders is not necessarily able to increase the value of the company, unless they are actually involved in the decision-making process that has a direct impact on the direction of the company's policy. Brigham & Erhardt (2019) explained that investors generally pay great attention to financial information that can be measured directly, such as profits, capital structure, and business risk. This information is considered to be more reflective of the actual condition of the company and easier to understand by the market.

The Government of Indonesia through POJK No. 21/POJK.04/2015 has required companies to implement GCG principles such as transparency, responsibility, and accountability. However, in reality, these principles are still often only limited to formalities (Adinegara & Herliansyah, 2023). According to Holm (2019), the construction sector faces many risks from large projects, delayed payments, and large funding needs. Therefore, the success of a company depends more on good project management and finances than on a shareholding structure.

The conditions experienced by PT Waskita Karya, PT Wijaya Karya, and PT Mitra Pemuda strengthen this finding. All three companies have institutional ownership structures, but still suffer from serious financial problems. Even PT Mitra Pemuda was declared bankrupt and its shares have been suspended for a long time (CNBC Indonesia, 2020). This shows that GCG in the form of institutional ownership is not enough to maintain company value. These results differ from the research of Garay & Gozales (2008) and Dinah & Darsono (2016) that GCG has a positive influence on the value of companies in manufacturing companies. This shows that GCG is highly dependent on the type of industry.

From these results, it can be concluded that GCG measured by institutional ownership is not enough to increase the value of construction companies. To be able to have a real impact, GCG needs to be carried out actively. This means that institutions not only play the role of shareholders, but are also involved in supervision and strategic decision-making.

The Effect of Profitability on Company Value moderated by Good Corporate Governance

Based on the results of the moderation regression, the interaction variable between profitability and Good Corporate Governance (GCG) proxied through institutional ownership showed a positive but not significant coefficient value to the company's value. The results of this research of insignificance mean that there is not enough strong evidence to conclude that Good Corporate Governance can actually moderate the effect of profitability on company value. This indicates that GCG practices measured through

institutional ownership have not been effective in maximizing the contribution of profitability to company value.

Thus, the H1 hypothesis that GCG can strengthen the influence of profitability on company value is rejected. This means that GCG does not have a significant role in moderating the influence of profitability and company value in the construction sector. The results of this research are in line with previous research conducted by Puspitasari & Suryawati (2019), Widyaningsih et al (2022), Tsaniatuzaima & Maryanti (2022), Siagian & As'ari (2024) that GCG does not have a significant role in strengthening the influence of profitability on company value.

Theoretically, agency theory explains that institutional ownership as a GCG mechanism should be able to reduce conflicts of interest between managers and shareholders (Jensen & Meckling, 1976). However, in practice as expressed by Shleifer and Vishny (1997), the effectiveness of GCG mechanisms is highly dependent on the quality of legal protection and institutional structure. In many developing countries, including Indonesia, the effectiveness of institutional ownership in controlling management is often limited due to weak enforcement and low transparency.

Institutional ownership can theoretically carry out its supervisory function, but the weak implementation of all GCG principles can reduce the effectiveness of institutional ownership in carrying out its functions. In addition, Gitman & Zutter (2015) stated that managers and institutional owners do not necessarily have the same interests, so the existence of large institutions does not necessarily guarantee optimal supervision of managerial performance. This can cause the role of GCG moderation to be insignificant in strengthening the influence of profitability on company value.

Although in principle Good Corporate Governance is designed to regulate and control the relationship between shareholders, board of commissioners, management, and other stakeholders in order to create added value for the company in the long term (OECD, 2004), its application in Indonesia's construction sector still has weaknesses in implementation. The Forum for Corporate Governance in Indonesia (FCGI, 2001) stated that the main principles of GCG such as transparency, accountability, and responsibility have not been fully implemented effectively in various industrial sectors.

The weaknesses of GCG implementation are also reflected in the actual conditions in the construction sector, where institutional ownership is not necessarily able to carry out effective control functions. This phenomenon is strengthened by the actual condition of several state-owned construction companies such as PT Waskita Karya and PT Wijaya Karya who are facing financial pressure. PT Waskita Karya has suspended its trading on the Indonesia Stock Exchange due to debt default and potential bankruptcy, while PT Wijaya Karya faces cash flow problems and deteriorating financial ratios despite having institutional ownership by the government. This condition shows that the existence of institutional ownership does not necessarily guarantee the effectiveness of GCG implementation, especially in directing profitability towards increasing company value (CNBC Indonesia, 2023, 2024a, 2024b).

In contrast to the research of Pramesti & Rita (2021), Dewi & Hasibuan (2022), and Sukmandari & Anwar (2022), GCG can strengthen the influence of profitability on company value. Good Corporate Governance (GCG) is a company system that can control and regulate business activities with which it can add value added to the company, so that the company is considered to be able to implement and demonstrate transparency, responsibility, accuracy of information, and accountability. It is hoped that by implementing GCG, the company can improve the quality of financial statements along with the trust of the users of financial statements, both internal and external parties (Sukmandari & Anwar, 2022). Thus, the effectiveness of GCG in moderating profitability to company value is not universal, but depends on the characteristics of the industrial sector and the quality of governance applied by each entity.

The Influence of Capital Structure on Company Value moderated by Good Corporate Governance

The results of the research show that the capital structure has a negative and very significant effect on the value of the company. However, after including Good Corporate Governance (GCG) as a moderation variable, the coefficient of interaction variables shows a negative direction and is quite significant. This means that GCG through institutional ownership can significantly weaken the influence of capital structure on company value. Thus, the H1 hypothesis that GCG can weaken the influence of capital structure with high debt on the value of the company is accepted. These results are in line with research from Lisiantara et al. (2023) that Good Corporate Governance can weaken the negative impact of DER on company value. GCG in companies can reduce the negative impact of capital structures with a high proportion of debt so that the decline in company value due to debt can be reduced (Gitman & Zutter, 2015).

GCG functions as a supervisory mechanism that regulates capital structure policies to remain efficient and controlled. When corporate governance goes well, management will be more careful in the use of debt and more transparent in making capital structure decisions, so that the risk of high debt does not directly reduce the value of the company significantly (Brigham & Erhhardt, 2020). It is supported by the agency theory by Jensen & Meckling (1976) that conflicts of interest between managers and owners can be minimized through effective supervision systems. Institutional ownership as a form of GCG can be a control tool that encourages management to manage the capital structure more rationally and accountably.

Institutional ownership in a company plays an important role in reducing agency conflicts. Institutions that own a large number of shares have an incentive to supervise managerial policies, including capital structure decisions. The active role of institutions in strategic decision-making can improve shareholder welfare and keep financial decisions under control (Noviani et al., 2019). Shleifer and Vishy (1997) added that effective corporate governance will encourage investors to feel confident that their funds will be managed efficiently. This has an impact on increasing market confidence in the company, including in the condition of capital structures with high debt, due to the belief that financial risks remain under supervision.

In Indonesia, GCG principles have been regulated in OJK Regulation No. 21/POJK.04/2015, which stipulates the importance of accountability, transparency, responsibility, independence, and, and fairness. The application of these principles actively improves the quality of supervision and allows companies to manage risks due to high debt proportions in a more controlled manner.

Rachandran and Kakani (2016) stated that high debt must be managed properly, namely through corporate governance (GCG) which can maintain the balance of capital and the value of the company's equity. In the modern accounting system, it is based on the principle of capital maintenance, which is to maintain the owner's net worth so that it is not reduced by the wrong capital structure policy. In the context of the construction sector, Holm (2019) explained that large and long-term project financing makes companies vulnerable to financial risks. When companies have good governance, funding decisions can be controlled more effectively, and companies can maintain market value despite using high debt (Lisiantara et al., 2023).

The phenomenon that occurred at PT Waskita Karya (WSKT), PT Wijaya Karya (WIKA), and PT Mitra Pemuda (MTRA) shows that a capital structure with large debts without effective GCG supervision can worsen the company's financial condition. On the other hand, if GCG runs well, the financial risks arising from high debt can be minimized, and the value of the company can be more stable (Brigham & Erhardt, 2020). The results of this research are different from the findings of Tsaniatuzaima & Maryanti (2022) that GCG cannot moderate the influence of capital structure on company value. This difference can be caused by industry characteristics, company size, or the quality of GCG implementation in each company.

This research contributes that Good Corporate Governance can function as a supervisory mechanism that can reduce the negative impact of the use of a capital structure with high debts. In the construction sector that is full of financial risks, GCG is an important element to maintain investor confidence and the market value of the company (Gitman & Zutter, 2015).

The Influence of Intellectual Capital on Corporate Value moderated by Good Corporate Governance

Based on the results of the moderation regression, the interaction variable between intellectual capital and Good Corporate Governance (GCG) proxied through institutional ownership showed a negative but not significant coefficient value to the company's value. The results of this insignificance research mean that there is not enough evidence that GCG through Institutional Ownership can actually moderate the influence of intellectual capital on company value. This indicates that GCG practices measured through institutional ownership are not effective in maximizing the contribution of intellectual capital to company value. Thus, the H1 hypothesis that GCG can strengthen the influence of intellectual capital on company value is rejected.

Although the company already has a governance structure, the value of the company does not immediately increase despite its high intellectual capital. These results

are in line with the research of Octaviany (2015), Rohayu & Wahidahwati (2018), and Suroso et al. (2023) that Good Corporate Governance does not moderate the influence of intellectual capital on company value.

According to Resource-Based Theory, a company will have a competitive advantage if it can manage resources that are valuable, scarce, difficult to replicate, and well organized (Barney, 1991). Intellectual capital is a form of these resources, which consists of human capital, structural capital, and relational capital. However, in the construction sector, intellectual capital management has not yet become an important part of the company's strategy. Holm (2019) stated that construction companies focus more on project finance aspects such as cost control, cash flow, payment demand, rather than on the development of intangible assets such as intellectual capital.

Gitman & Zutter (2015) explain that investors and management rely heavily on measurable financial information such as net income, cash flow, and financial ratios, as they are the main basis for decision-making. Brigham & Erhardt (2020) emphasizes that a company's value is more determined by its projected future cash flow and risk level. Information such as intellectual capital that is not directly reflected in financial statements is often overlooked by the market. And even though institutional ownership is contained in financial statements, the quality of institutional supervision cannot be assessed only from the amount of ownership. GCG in the form of institutional ownership will only have a significant impact on the company's value if the institution is truly actively involved in the supervision and direction of the strategy.

This is in line with the opinion of Ulum (2016) who explains that the contribution of intellectual capital to the value of the company is highly dependent on how intellectual capital is managed, reported, and made part of the company's main strategy. If intellectual capital is not strategically integrated, then its role in the company's value becomes limited. When a passive institution, GCG is not strong enough to moderate the influence of intellectual capital on a company's value because both are not explicitly reflected in the financial statements.

This research is different from the results of Emar & Ayem's (2020) research that good corporate governance can strengthen the influence of intellectual capital on company value. These differences in results can be influenced by the industry context and the strength of the institutional role in each company.

The phenomenon of PT Waskita Karya, PT Wijaya Karya, and PT Mitra Pemuda is clear evidence of construction companies that have an institutional ownership structure but still experience a serious financial crisis. WSKT and WIKA's shares were suspended by the Indonesia Stock Exchange for failing to pay their debt obligations, while MTRA was declared bankrupt and its shares have been suspended for more than two years (CNBC Indonesia, 2020, 2023, 2024a, 2024b). This shows that the existence of an institution as a shareholder does not guarantee the effectiveness of supervision and is not enough to strengthen the role of intellectual capital in creating value.

POJK Regulation No. 21/POJK.04/2015 which requires the application of GCG principles such as transparency, accountability, and responsibility, has not been fully

effective in implementation. Therefore, the ineffectiveness of GCG as a moderator can be caused by weak institutional supervision, an imbalance between corporate strategy and intellectual capital development, and the characteristics of industries that still prioritize the efficiency of physical projects over knowledge-based innovation. In order for GCG to be able to strengthen the role of intellectual capital, it is necessary to implement GCG that is active, integrated with business strategies, and based on sustainable resource principles.

CONCLUSION

This research found that profitability had a positive but statistically insignificant effect on the value of construction sector companies, as high financial risk, unstable cash flow, and long-term debt reduced its influence. Capital structure, particularly high debt levels, negatively affected firm value due to increased default and liquidity risks. Intellectual capital showed a positive yet insignificant relationship with firm value, as the sector still prioritized physical assets over intangible ones. Good Corporate Governance (GCG), measured by institutional ownership, also had a positive but insignificant effect on firm value and only partially moderated relationships—successfully weakening the negative impact of high debt but not influencing the effects of profitability or intellectual capital. Future research should include broader GCG indicators, such as board composition and audit quality, and expand the sample period to better capture long-term governance and performance dynamics in the construction sector.

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