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RESEARCH PAPER

Macro and Micro Fundamentals, Investment Opportunities, and Capital Structure on Company Value with Business Risk and Financial Performance as Mediation

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Abstract

The purpose of this study is to analyze and understand the influence of macro fundamentals, micro fundamentals, investment opportunity set, and capital structure on company value, with business risk and financial performance as mediating variables, and financial flexibility as moderating variables, in construction companies listed on the Indonesia Stock Exchange. The population used in this study includes all construction companies in Indonesia, particularly those listed on the Indonesia Stock Exchange. In this study, the sampling technique used was non-probability with a comprehensive sampling approach (census). The sample for this study consists of 30 construction companies listed on the Indonesia Stock Exchange from 2018 to 2022. This research uses secondary data or information processed with statistical methods and PLS software. The data analysis method used is Partial Least Square (PLS). The results showed that macro and micro fundamental factors did not have a significant and opposite influence on the business risk of construction companies listed on the Indonesia Stock Exchange. Meanwhile, the Investment Opportunity Set tended to have an insignificant negative impact on business risk, while the capital structure had a significant positive impact. Regarding financial performance, micro fundamental factors had a significant positive influence, while macro fundamentals were not significant. The Investment Opportunity Set and capital structure did not have a significant effect on the financial performance of construction companies. In addition, these factors did not have a significant effect on the value of the company.

Keywords: macro fundamentals, micro fundamentals, capital structure, company value, business risk.
JEL Classification: D00, D53, E00, E22, E62, G32.

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Introduction

The COVID-19 pandemic has raised concerns for market participants. Concerns from market participants can make stock prices fall beyond reasonable limits so that they become too cheap. If the company's stock price falls too far below the reasonable limit, then the company's task is to fix it, one of which is by doing a share buyback. Share buyback is the process of buying back shares by companies that have issued their shares on the stock exchange with the main aim of reducing the number of shares outstanding in the market, because then the company can avoid a sharp decline in stock price. Seeing fluctuating market conditions, the Financial Services Authority (OJK) promptly adopted a policy by issuing a circular stating that companies are allowed to buy back shares without a General Meeting of Shareholders (GMS). This policy is contained in OJK Circular Letter Number 3/SEOJK.04/2020 dated March 9, 2020, concerning Other Conditions as Market Conditions that Fluctuate Significantly in the Implementation of Share Buybacks Issued by Issuers or Public Companies.

With the issuance of this policy, companies become faster and freer to conduct share buybacks when they know that their stock prices have fallen too far. For companies, growth is expected to increase investment in the company, while the positive impact of company growth for investors is the high value of the company. Macro analysis is an analysis of regulations and government policies that apply in macroeconomic conditions, both on a national, regional, and global scale. Industry Analysis is an analysis to compare the performance of various industries, and micro analysis is an analysis to determine the internal condition of the company. In micro analysis, the things analyzed include several micro factors, such as company size, profit generation rate, liquidity, capital structure, efficiency and effectiveness of management performance, and so on.

The impact of the COVID-19 pandemic that has hit Indonesia and the world in general has affected various sectors, including the construction sector. Since the beginning of 2020, construction industry players in Indonesia have experienced various obstacles due to the COVID-19 pandemic. Social restrictions and lockdowns implemented by the government to prevent the spread of the virus have hampered construction activities in many areas, be it new construction projects or building renovation and maintenance. Construction project delays can occur due to social restrictions and lockdowns that hamper construction activities. This can lead to a decrease in the company's revenue and have an impact on the value of the company. Along with project delays, the company's operating costs also remain

ongoing, including operating costs associated with the delayed project, such as labor, materials and equipment, and rental costs. As a result, construction companies experience a decline in revenue and undesirable financial performance. In addition, a decrease in market demand can also affect the value of the company.

The decline in market demand can be caused by a decrease in people's buying power due to the economic crisis caused by the COVID-19 pandemic. People are becoming more cautious in spending money, especially for needs that are not primary needs. Along with the decline in market demand, material prices have also increased due to supply and production disruptions because of the COVID-19 pandemic. This makes the production and operational costs of construction companies higher, which in turn has an impact on decreasing the value of the company. Difficulties in managing the company's finances are also a factor causing the decline in stock value. The company's finances can be disrupted due to delays in construction projects, decreased revenues, and decreased market demand. This can affect the company's financial performance and have an impact on the value of the company. In addition, construction companies are also facing higher business risks due to the COVID-19 pandemic. These business risks include operational risk, financial risk, and reputational risk, all of which can have an impact on a company's value.

The decline in the value of shares in construction companies listed on the Indonesia Stock Exchange due to the COVID-19 pandemic shows the importance of evaluating the factors that affect the value of companies in the construction sector. Such an evaluation can be done through research as described earlier. In addition, construction companies also need to take proper strategic steps to overcome the obstacles faced due to the COVID-19 pandemic. This can include financial restructuring, diversifying products and markets, and improving the company's operational efficiency. This research phenomenon considers mediation variables in the form of business risk and financial performance as well as moderation variables in the form of financial flexibility which can affect the relationship between these factors and company value. This research is important because the construction industry in Indonesia has great potential to develop. However, construction companies are also faced with significant challenges in maintaining healthy financial performance and increasing company value. Therefore, this study will provide a better understanding of the factors that affect the value of construction companies and how mediation and moderation variables can affect those relationships.

This research has several elements that can be considered as novelties, namely: 1) Specific research object: This research only focuses on construction companies listed on the Indonesia Stock Exchange, so it has a specific scope. 2) Macro fundamental factors: This study not only considers micro fundamental factors, such as company profitability, but also considers macro fundamental factors, such as economic growth and inflation, in influencing the value of the company. 3) Investment Opportunity Set (IOS): IOS is used as one of the factors that affect the value of the company. This suggests that this study considers the importance of external factors in determining a company's value. 4) Mediation and moderation variables: This study uses mediation and moderation variables to analyze the relationship between factors that affect company value. The mediation variables used are business risk and financial performance, while financial flexibility is used as a moderation variable. 5) Combination of variables: This study considers several different factors, such as macro fundamentals, micro fundamentals, IOS, and capital structure, and tries to find the relationship between these factors and the value of the company. The combination of these factors can provide a more comprehensive insight into the factors affecting the value of companies in the construction sector in Indonesia.

Based on the background of the problems described above, the problem in this study is formulated in the research question: Is there an influence of macro fundamentals, micro fundamentals, investment opportunity set, and capital structure on company value with business risk and financial performance as mediation variables and financial flexibility as a moderation variable in construction companies listed on the Indonesia Stock Exchange? Research is an activity to find, explore, connect, and predict events. Every research conducted has a clear and directed purpose. The purpose of this study is to analyze and determine the influence of macro fundamentals, micro fundamentals, investment opportunity set, and capital structure on company value with business risk and financial performance as mediation variables and financial flexibility as moderation variables in construction companies listed on the Indonesia Stock Exchange.

Conceptual Framework

The relationship between macro fundamental variables and the business risk of construction companies listed on the Indonesia Stock Exchange can have a significant impact. Macro fundamental variables, such as economic growth, inflation, interest rates, and exchange rates, can affect the business conditions of

construction companies directly or indirectly. Research on the relationship between macroeconomic fundamentals and business risk has been the subject of in-depth study in the economic literature, and several previous studies have made important contributions to understanding this complex interaction. Dinh and Pham (2020) explore the impact of economic growth, inflation, and exchange rates on business risk, highlighting the importance of a deep understanding of the fluctuations of these macroeconomic variables in the context of business risk management.

Further research on the relationship between microeconomic fundamentals and business risk has become a major focus in the economic literature, with significant contributions from several previous studies providing valuable insights. Yanti et al. (2021) explore the impact of ROA (Return on Assets), ROE (Return on Equity), and EPS (Earnings per Share) on business risk, presenting empirical evidence on the close relationship between a company's financial performance and the level of risk faced. The relationship between Investment Opportunity Set (IOS) variables and the business risk of construction companies listed on the Indonesia Stock Exchange has important implications.

Investment Opportunity Set refers to the availability and quality of investment opportunities that exist for the company, and this can affect the level of business risk faced by construction companies. Research on the effect of the Investment Opportunity Set (IOS) on business risk has become a major topic in the economic literature, with the contribution of previous studies that provide an in-depth understanding of the impact of this variable on corporate risk management. Ismantara and Handojo (2021) present a careful analysis of how Investment Opportunity Set (IOS) can affect a company's level of business risk, contributing significantly to our understanding of the complexity of the factors involved in risk management.

Capital structure is a critical aspect in a company's financial management that can affect the level of business risk. Febrianty and Mertha (2021) revealed that Capital Structure (SM) plays an important role in shaping a company's risk profile, where changes in debt and equity composition can result in significant changes in the level of risk faced by the company. Wahyudi (2020) presents in-depth research on the relationship between Capital Structure (SM) and business risk, highlighting how a company's financial policy can be a major determining factor in risk management.

This research provides a better understanding of the complexity of the factors that influence the relationship between Capital Structure (SM) and business risk. In the face of changing macro fundamental conditions, construction companies need to adopt the right strategies to reduce negative impacts and take advantage of existing opportunities. They can diversify their projects and business portfolios to reduce dependence on one sector or market.

In addition, companies also need to consider effective risk management, including financial, operational, and reputational risk management, to deal with market fluctuations that may occur. Macro fundamentals play an important role in shaping the financial performance of a business entity. Chabachib et al. (2020) present a comprehensive study of the influence of macroeconomic factors on the company's financial performance. This research highlights the importance of a deep understanding of factors such as GDP growth, inflation, and exchange rates in the context of improving financial performance. Overall, the relationship between micro fundamental variables and the financial performance of construction companies on the Indonesia Stock Exchange is especially important.

Management quality, operational efficiency, business scale, innovation, and company reputation have a significant influence on financial performance. Construction companies need to pay attention to these micro fundamental factors and adopt appropriate strategies to maximize their potential financial performance. By strengthening management, improving operational efficiency, making good use of business scale, driving innovation, and building a strong reputation, construction companies can achieve sustainable growth and solid financial performance in a competitive market.

Based on the explanation of the theoretical framework above, this research has several elements that can be considered as novelties, namely:

1. Specific research object: This research only focuses on construction companies listed on the Indonesia Stock Exchange, so it has a specific scope.
2. Macro fundamental factors: This study not only considers micro fundamental factors, such as company profitability, but also considers macro fundamental factors, such as economic growth and inflation, in influencing the value of the company.
3. Investment Opportunity Set (IOS): IOS is used as one of the factors that affect the value of the company. This suggests that this study considers the importance of external factors in determining a company's value.

4. Mediation and moderation variables: This study uses mediation and moderation variables to analyze the relationship between factors that affect company value. The mediation variables used are business risk and financial performance, while financial flexibility is used as a moderation variable.
5. Combination of variables: This study considers several different factors, such as macro fundamentals, micro fundamentals, IOS, and capital structure, and tries to find the relationship between these factors and the value of the company. The combination of these factors can provide a more comprehensive insight into the factors affecting the value of companies in the construction sector in Indonesia.

The conceptual framework in this study is used as a reference in determining the relationship between variables which is the basis for answering problems and hypotheses in this study. The conceptual framework will be analyzed using Structural Equation Modeling (SEM) and using the help of the Partial Least Square (PLS) program.

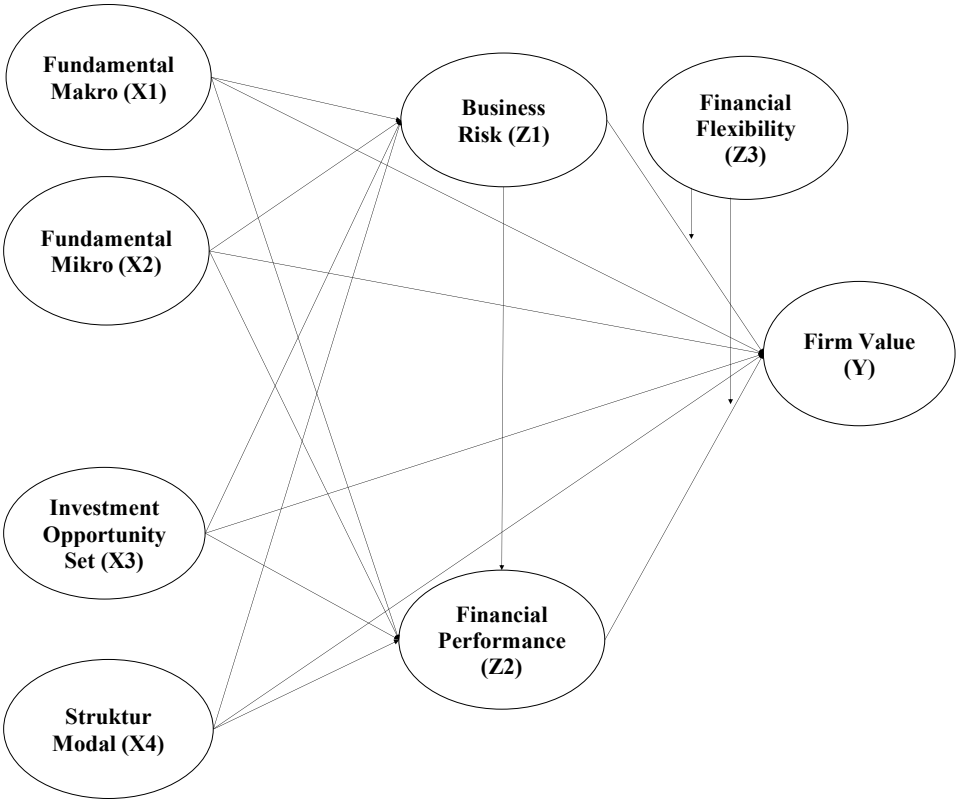

Figure 1. Research Concept Framework
Source: Research finding.

Hypothesis

Based on the background of the problem, the research problems and research objectives, and the conceptual framework described above, the hypotheses in this study are that macro fundamentals, micro fundamentals, investment opportunity set, and capital structure affect the value of the company with business risk and financial performance as mediation variables and financial flexibility as a moderating variable in construction companies listed on the Indonesia Stock Exchange.

Methods and Materials

Research Design

The research was conducted quantitatively with a descriptive research design. Through this study, researchers want to know how strong the relationship between one variable and another variable is. The research to be conducted is quantitative research conducted once within a specific period. The reason for using quantitative research is Objectivity: Quantitative research methods use numerically measurable data, which allows for more objective analysis. Generalization: Quantitative research can help in making broader generalizations. Efficiency: Quantitative research often allows for more efficient and rapid data collection. Statistical analysis: Quantitative research uses robust statistical analysis to evaluate hypotheses and find patterns or trends in data. This research uses secondary data or information obtained and processed by statistical methods using Warp PLS software. The data analysis method uses PLS (Partial Least Square). This research is explanatory research that aims to evaluate a theory or hypothesis to strengthen or reject pre-existing research theories or hypotheses. Explanatory research is research that highlights causal relationships between research variables and tests hypotheses that have been formulated previously.

Population and Sample

The population used in this study is all construction companies in Indonesia. The list of construction companies listed on the Indonesia Stock Exchange comes from the official website of the Indonesia Stock Exchange accessed on March 9, 2023, with details provided in the following table:

Table 1. The List of Construction Companies Listed on Indonesia Stock Exchange

No.	Code	Company Name
1	ACST	Acset Indonusa Tbk.
2	ADHI	Adhi Karya (Persero) Tbk.
3	BALI	Bali Towerindo Sentra Tbk.
4	CMNP	Citra Marga Nusaphala Persada
5	DGIK	Nusa Konstruksi Enjiniring Tbk
6	EXCL	XL Axiata Tbk.
7	FREN	Smartfren Telecom Tbk.
8	IBST	Inti Bangun Sejahtera Tbk.
9	ISAT	Indosat Tbk.
10	JKON	Jaya Construction Manggala Prata
11	JSMR	Jasa Marga (Persero) Tbk.
12	LINK	Link Net Tbk.
13	GOAL	Nusantara Infrastructure Tbk.
14	NRCA	Nusa Raya Cipta Tbk.
15	PTPP	PP (Persero) Tbk.
16	SSIA	Surya Semesta Internusa Tbk.
17	TBIG	Tower Bersama Infrastructure T
18	TLKM	Telkom Indonesia (Persero) Tbk
19	TOTL	Total Bangun Persada Tbk.
20	TOWR	Sarana Menara Nusantara Tbk.
21	WIKA	Wijaya Karya (Persero) Tbk.
22	WSKT	Waskita Karya (Persero) Tbk.
23	IDPR	Indonesia Pondasi Raya Tbk.
24	POWR	Cikarang Listrindo Tbk.
25	PBSA	Paramita Bangun Sarana Tbk.
26	TGRA	Terregra Asia Energy Tbk.
27	TOPS	Totalindo Eka Persada Tbk.
28	PPRE	PP Presisi Tbk.
29	WAYS	Wijaya Karya Bangunan Gedung Tbk.
30	IPCM	Jasa Armada Indonesia Tbk.

Source: Indonesia Stock Exchange.

In this study, the sampling technique used was nonprobability sampling using a saturated sampling technique (census). According to Sugiyono (2018), the saturated sampling technique is a sampling technique when all members of a population are used as samples. Therefore, the author selected a sample using a saturated sampling technique because the population is relatively small. Thus, the sample used in this study consisted of 30 construction companies listed on the Indonesia Stock Exchange for the 2018–2022 period.

Data Analysis Techniques

In this study, data analysis used a partial least square (PLS) approach. Partial least square (PLS) analysis is a multivariate statistical technique that compares multiple dependent variables and multiple independent variables. PLS is one of the variance-based SEM statistical methods designed to handle multiple regression when there are specific problems with the data, such as a small sample size, missing values, and multicollinearity (Jogiyanto, 2021:55).

Results and Model; Using Partial Least Square (PLS)

Confirmatory analysis of exogenous variables is carried out to confirm whether the observed variables can reflect the analyzed factors, namely through a model suitability test, the significance of factor weights, and lambda values or factor loadings. The results of the confirmatory analysis of exogenous variables were analyzed using the partial least square (PLS) analysis tool, with the following results:

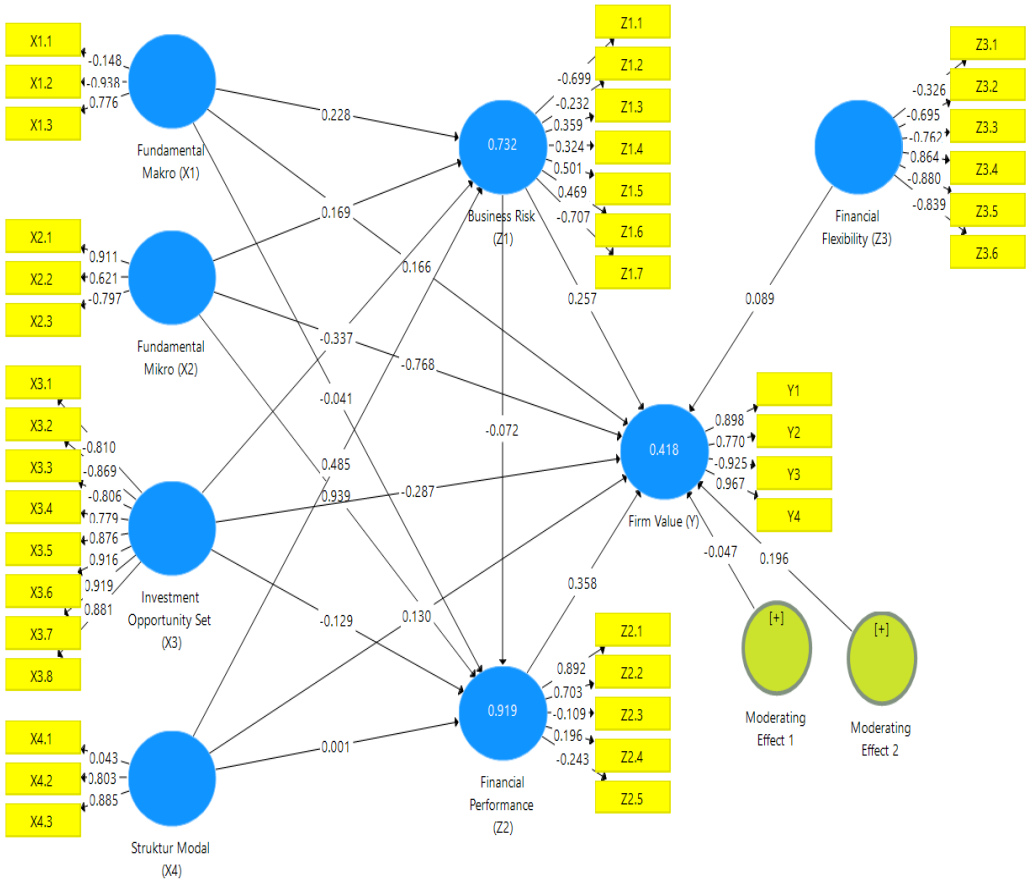

Figure 2. Research Model Before Elimination
Source: Research finding.

In the research model, any indicator that has a negative loading factor value is eliminated, because negative values do not adequately describe the variable. The indicators that must be eliminated because they have negative loading factor values are X1.1, X1.2, X2.3, X3.1, X3.2, X3.3, Z1.1, Z1.2, Z1.7, Z2.3, Z2.5, Z3.1, Z3.2, Z3.3, Z3.5, Z3.6, and Y3. Based on the loading factor values for each indicator of the variable, a new research model was obtained, as shown in the following figure:

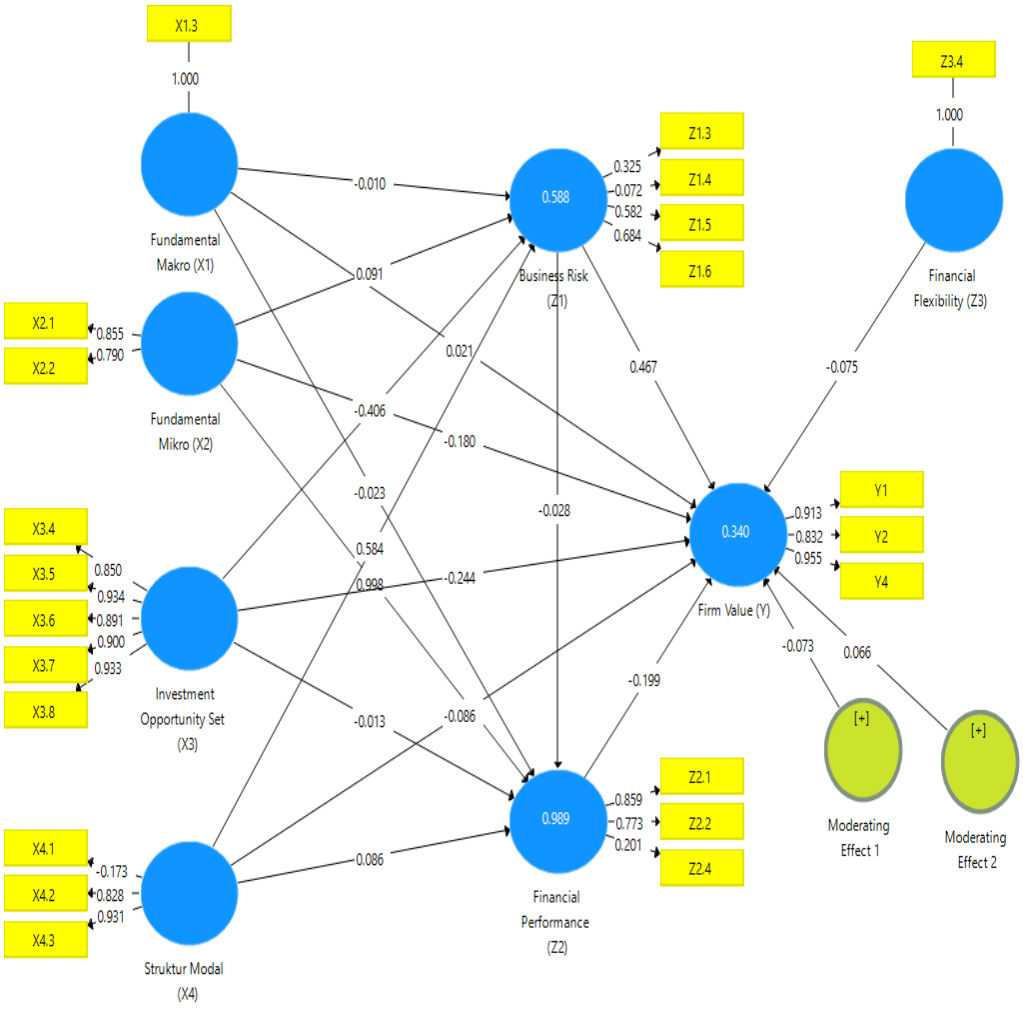

Figure 3. Research Model After Elimination
Source: Research finding.

In the research model, any indicator that has a negative loading factor value is eliminated, because negative values do not describe the variable. The indicator that must be eliminated because it has a negative loading factor value is X4.1. Based on the loading factor values for each indicator of the variable, a new research model was obtained, as shown in the following figure:

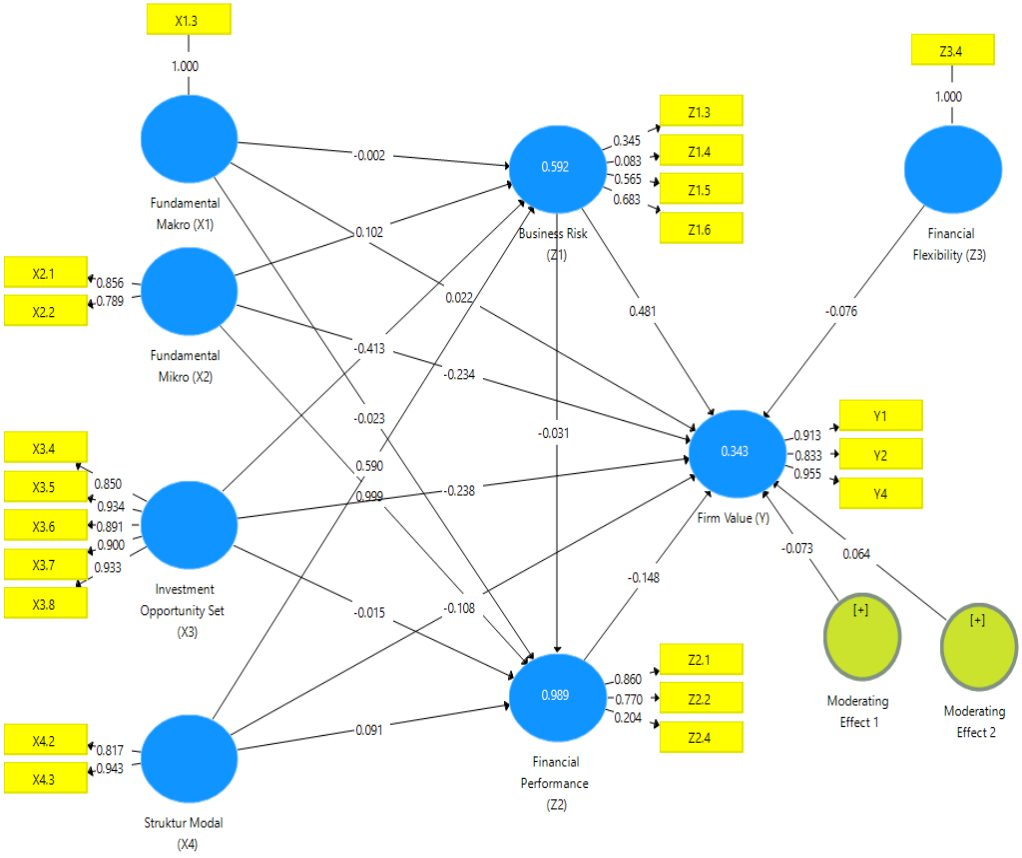

Figure 4. New Research Model
Source: Research finding.

After elimination, all loading factor values show positive values, so this research model is the one used in this study, comparing the model before elimination (which included several indicators that were later eliminated) and the model after elimination, so that a new research model was obtained after accommodating the research results.

Measurement Model or Outer Model

The measurement model or outer model in this study will be known the influence of indicators on the variables with the following explanation:

Convergent Validity

Convergent Validity in this study can be seen through the table, namely Results For outer Loadings as follows:

Table 2. Results for Outer Loadings

Indicators / Variables	Original Sample	P Values	Information
X1.3 ← Fundamental Makro (X1)	1.000	0.000	Desirable
X2.1 ← Fundamental Mikro (X2)	0.856	0.000	Desirable
X2.2 ← Fundamental Mikro (X2)	0.789	0.000	Desirable
X3.4 ← *Investment Opportunity Set* (X3)	0.850	0.000	Desirable
X3.5 ← *Investment Opportunity Set* (X3)	0.934	0.000	Desirable
X3.6 ← *Investment Opportunity Set* (X3)	0.891	0.000	Desirable
X3.7 ← *Investment Opportunity Set* (X3)	0.900	0.000	Desirable
X3.8 ← *Investment Opportunity Set* (X3)	0.933	0.000	Desirable
X4.2 ← Capital Structure (X4)	0.817	0.000	Desirable
X4.3 ← Capital Structure (X4)	0.943	0.000	Desirable
Z1.3 ← Budiness Risk (Z1)	0.345	0.371	Undesirable
Z1.4 ← Budiness Risk (Z1)	0.083	0.827	Undesirable
Z1.5 ← Budiness Risk (Z1)	0.565	0.000	Desirable
Z1.6 ← Budiness Risk (Z1)	0.683	0.000	Desirable
Z2.1 ← Budiness Risk (Z2)	0.860	0.000	Desirable
Z2.2 ← Budiness Risk (Z2)	0.770	0.000	Desirable
Z2.4 ← Budiness Risk (Z2)	0.204	0.301	Undesirable
Z3.4 ← *Financial Flexibility* (Z3)	1.000	0.000	Desirable
Y1 ← Firm Value (Y)	0.913	0.000	Desirable
Y2 ← Firm Value (Y)	0.833	0.000	Desirable
Y4 ← Firm Value (Y)	0.955	0.000	Desirable

Source: Research finding, using SmartPLS.

Convergent validity is assessed based on the condition that the loading factor is above 0.50. From the results of the research model, it was found that the loading factor values were above 0.50 ($p < 0.05$). This can be seen from Table 5, "Results for Outer Loadings," where the original sample estimate is > 0.50, so that the research instrument is considered to meet convergent validity.

Discriminant Validity

For constructs to have good validity, the AVE value must be above 0.50. This is presented in the following table:

Table 3. Average Variance Extracted

	BIRD	Information
Makro Fundamental (X_1)	1.000	Valid
Fundamental Mikro (X_2)	0.679	Valid
Investment Opportunity Set (X3)	0.814	Valid
Capital Structure (X_4)	0.773	Valid
Business Risk (Z1)	0.554	Valid
Financial performance (Z2)	0.676	Valid
Financial Flexibility (Z3)	1.000	Valid
Firm Value (Y)	0.812	Valid

Source: Research finding, using SmartPLS.

The Average Variance Extracted (AVE) values are above 0.50, meaning that the research instrument has valid discriminant validity. Another way to assess discriminant validity is by comparing the square root of AVE (√AVE) for each construct with the correlation values between that construct and other constructs. If the √AVE value is higher than these correlations, it can be concluded that the research instrument meets the criteria for discriminant validity (√AVE).

Composite Reliability

Composite Reliability is used to decide the amount of reliability or answers given by respondents in research, with table information as follows:

Table 4. Composite Reliability

	CR	Information
Makro Fundamental (X_1)	1.000	Reliable
Fundamental Mikro (X_2)	0.809	Reliable
Investment Opportunity Set (X3)	0.956	Reliable
Capital Structure (X_4)	0.871	Reliable
Business Risk (Z1)	0.713	Reliable
Financial performance (Z2)	0.806	Reliable
Financial Flexibility (Z3)	1.000	Reliable
Firm Value (Y)	0.928	Reliable

Source: Research finding, using SmartPLS.

The reliability of all constructs can be assessed by examining the composite reliability value. A construct is considered reliable if the composite reliability value is above 0.70. The output results show that all constructs — Market Orientation, Customer Relationship Management, Service Quality, Satisfaction, and Business Performance — are reliable, as their composite reliability values are above 0.70.

Measurement Model or Inner Model

Goodness of Fit Model Inspection

The coefficient of determination, or R^2 value (R-square), is used to determine the percentage of the influence of exogenous variables on endogenous variables. In other words, it indicates the extent to which the variation in an endogenous variable can be explained by exogenous variables, as presented in the table below:

Table 5. R – *square*

	R Square	R Square Adjusted
Business Risk (Z1)	0.349	0.322
Financial performance (Z2)	0.996	0.996
Firm Value (Y)	0.345	0.279

Source: Research finding, using SmartPLS.

Model fit is assessed using the R^2 (R-square) value, which indicates the extent to which exogenous variables explain the variation in endogenous variables, as follows:

a. The phenomenon or variation of Business Risk can be explained by macro fundamental variables, micro fundamentals, Investment Opportunity Set, capital structure of 34.90 percent (0.349 x 100%) while the rest is explained by variations in other variables outside the research model of 65.10 percent (100% - 34.90%).
b. The phenomenon or variation of financial performance can be explained by macro fundamental variables, micro fundamentals, Investment Opportunity Set, capital structure, Business Risk of 99.60 percent (0.996 x 100%) while the rest is explained by variations in other variables outside the research model of 0.40 percent (100% - 99.60%).
c. The phenomenon or variation of firm value can be explained by macro fundamental variables, micro fundamentals, Investment Opportunity Set, capital structure, Business Risk, Financial performance, Financial Flexibility of 34.5 percent (0.345 x 100%) while the rest is explained by variations in other variables outside the research model of 65.50 percent (100% - 34.50%).

T-test Testing

The structural equation explains the influence of exogenous variables on endogenous variables, which can be seen in the Table as follows:

Table 6. Results for Inner Weights

Direct Effect				
No.	**Variable**	**Original Sample**	**P Values**	**Information**
1	Macro fundamentals affect Business Risk	-0.002	0.982	Negative is not Significant
2	Micro fundamentals affect Business Risk	0.102	0.410	Positive is not Significant
3	Investment Opportunity Set Affects Business Risk	-0.143	0.002	Significant Negative

4	Capital structure affects Business Risk	0.590	0.003	Significant Positive
5	Macro fundamentals affect financial performance	-0.023	0.308	Negative is not Significant
6	Micro fundamentals affect financial performance	0.999	0.000	Significant Positive
7	Investment Opportunity Set affects financial performance	-0.015	0.465	Negative is not Significant
8	Capital structure affects financial performance	0.091	0.282	Positive is not Significant
9	Macro fundamentals affect company value	0.022	0.827	Positive is not Significant
10	Micro fundamentals affect company value	-0.234	0.837	Negative is not Significant
11	Investment Opportunity Set affects company value	-0.238	0.084	Negative is not Significant
12	Capital structure affects the value of the company	-0.108	0.575	Negative is not Significant
13	Business Risk affects company value	0.481	0.024	Significant Positive
14	Financial performance affects company value	-0.148	0.897	Negative is not Significant
15	Business Risk affects financial performance	-0.031	0.335	Negative is not Significant
Business Risk & Financial performance (Mediation Variable)				
16	Macro fundamentals affect company value through Business Risk	-0.001	0.982	Negative is not Significant
17	Micro fundamentals affect company value through Business Risk	0.049	0.434	Positive is not Significant
18	Investment Opportunity Set affects company value through Business Risk	-0.199	0.051	Negative is not Significant
19	Capital structure affects the value of the company through the company's Business Risk	0.283	0.032	Significant Positive
20	Macro fundamentals affect company value through financial performance	0.003	0.887	Positive is not Significant
21	Micro fundamentals affect company value through financial performance	-0.148	0.897	Negative is not Significant

22	Investment Opportunity Set affects company value through financial performance	0.002	0.911	Positive is not Significant
23	Capital structure affects the value of the company through financial performance	-0.018	0.350	Negative is not Significant
Financial Flexibility (Moderation Variable)				
24	Business Risk affects company value moderated by Financial Flexibility	-0.073	0.603	Negative is not Significant
25	Financial performance affects company value moderated by Financial Flexibility	0.064	0.578	Positive is not Significant

Source: Research finding, using SmartPLS.

Based on the table, the positive influence and significance level of each variable can be determined. If the p-value is less than 0.05, the exogenous variable has a significant influence on the endogenous variable; and if the p-value is greater than 0.05, the exogenous variable does not have a significant influence. For example, a p-value of 0.207 (> 0.05) indicates an insignificant influence.

Discussion

This research reveals that macro fundamentals do not have a significant negative influence on the Business Risk of construction companies listed on the Indonesia Stock Exchange. Similarly, micro fundamentals also do not have a significant negative effect on the company's Business Risk. However, the Investment Opportunity Set is identified as a factor that negatively and significantly affects Business Risk. Conversely, the Capital Structure of construction companies shows a positive and significant influence on Business Risk.

However, despite these negative influences, the study also found that these effects were not statistically significant. This means that in the sample of construction companies studied, the relationship between macro fundamentals and business risk does not have sufficient strength to conclude that the influence is manifestly significant. There may be other factors not examined in this study that could have a stronger influence on construction companies' business risk.

Recent research shows that macroeconomic fundamentals have an insignificant negative influence on the business risk of construction companies listed on the Indonesia Stock Exchange. These results are in line with the findings

of several previous studies that have provided deep insight into the relationship between macroeconomic fundamentals and business risk. Dinh and Pham (2020) explore the impact of economic growth, inflation, and exchange rates on business risk. This research highlights the importance of an in-depth understanding of fluctuations in macroeconomic variables in the context of business risk management. Suhono et al. (2022) add an interesting perspective by emphasizing the role of economic uncertainty in increasing business risks, providing insight into the importance of identifying and managing risks arising from unexpected changes in the economic environment.

Oktaria and Alexandro (2020), in their research, made recent contributions to the understanding of the complexity of the relationship between macroeconomic fundamentals and business risk. Considering findings from previous studies, Oktaria and Alexandro (2020) add new perspectives relevant to the current business context, assisting companies in making more informed decisions. Overall, the results of this study together provide a deeper understanding of the complexity and interdependence between macroeconomic fundamentals and business risk (Dinh and Pham, 2020; Suhono et al., 2022; Hung et al., 2021; Hwihanus et al., 2019; Oktaria and Alexandro, 2020).

When looking at Financial Performance, the results show that macro fundamentals do not have a significant negative effect on the financial performance of construction companies. Meanwhile, micro fundamentals have a positive and significant influence on the company's financial performance. The Investment Opportunity Set, although it has a negative effect, is not significant for financial performance, while the Capital Structure shows a positive but not significant influence.

That is, when changes occur in macro fundamental factors such as economic growth, interest rates, inflation, exchange rates, and political stability, the financial performance of construction companies tends to decline. However, these changes do not have a statistically strong enough effect to conclude that the influence of macro fundamentals on the financial performance of construction companies is tangibly significant.

However, it should be noted that this study had several limitations. First, the focus of this research is only on construction companies listed on the Indonesia Stock Exchange, so generalizing these findings to construction companies in other countries should be approached with caution. In addition, there are other factors that may affect the financial performance of a construction company, such as

internal company factors, more specific market conditions, or management strategies adopted. Therefore, future research can expand the scope of variables and consider deeper contextual factors to gain a more comprehensive understanding of the influence of macro fundamentals on the financial performance of construction companies.

Overall, although there is no significant influence, understanding the influence of macro fundamentals on the financial performance of construction companies remains important in the context of financial planning and decision making. Companies need to consider macro fundamental factors as external factors that can affect their performance and maintain flexibility and adaptation to changes in the business environment associated with these factors.

Recent findings show that Macro Fundamentals have a negative, though not significant, effect on the financial performance of construction companies listed on the Indonesia Stock Exchange. These results can be attributed to several previous studies that have provided an in-depth understanding of the impact of macroeconomic factors on a company's financial performance. Chabachib et al. (2020) conducted a comprehensive study on the influence of macroeconomic factors, such as GDP growth, inflation, and exchange rates, on the company's financial performance. This research highlights the importance of a deep understanding of these factors in improving financial performance. Ina et al. (2020) also showed similar findings, acknowledging the positive impact of GDP growth on financial performance, while highlighting the contribution of inflation and exchange rates to the dynamics of financial performance.

Furthermore, when viewed from the value of the company, macro fundamentals do not have a significant negative effect, nor do they have a significant positive effect, on the value of the company. Micro fundamentals have a negative, but insignificant, influence on the value of the company. The Investment Opportunity Set, although it has a negative effect, is not significant on the value of the company, while the Capital Structure has a significant positive influence on the value of the company.

Although the influence of micro fundamentals on the value of construction companies is not statistically significant, companies must still pay attention to these micro fundamental factors in strategic decision making. These factors can give an indication of a company's health and performance overall. Companies must conduct a thorough evaluation of their liquidity, profitability performance,

appropriate capital structure, and sales growth strategy to ensure the company's value remains optimal.

The results of recent research indicate that Micro Fundamentals have a negative but not significant effect on the value of construction companies listed on the Indonesia Stock Exchange. Although these findings do not reach the level of statistical significance, the study enriches the financial literature by examining the complex relationships between microeconomic factors and company valuations.

Conroy (2021) observed the impact of microeconomic variables, such as profitability, liquidity, and capital structure, on company value at the sector level. The study underscores that these factors have a significant influence in shaping a company's valuation. Almahadin and Oroud (2020) continue this theme by examining the impact of dividend policy on company value. The research highlights the importance of dividend policy in creating value for shareholders and reflects the financial health of companies.

Furthermore, Business Risk has a positive and significant influence on company value, while Financial Performance does not have a significant negative effect on company value. However, when considered in the context of moderation by Financial Flexibility, Business Risk shows an insignificant negative influence on company value. Conversely, Financial Performance has an insignificant positive influence on the value of the company within the framework of Financial Flexibility.

Business risk refers to the level of risk faced by companies in conducting operations and facing changes in the business environment. The findings show that construction companies tend to experience an increase in value when higher business risk is present. This can be explained by the fact that higher risk often comes with greater opportunities for higher profits. Construction companies that can manage and address risks well have the potential to achieve better performance and higher value.

The positive and significant influence between Business Risk and the value of construction companies demonstrates the importance of effective risk management in this industry. Companies must have appropriate strategies and policies in place to identify, measure, and manage risks associated with their operations. By properly mitigating risks, companies can increase their value and gain a competitive advantage in the market.

Overall, the findings of this study show that business risk has a positive and significant effect on the value of construction companies. Companies need to

understand and manage the risks associated with their operations carefully, as well as adopt effective risk management strategies. Thus, construction companies can optimize their value and achieve long-term success in a challenging market.

In optimizing the relationship between business risk and corporate value, construction companies need to adopt a holistic risk management approach. This involves identifying and assessing potential business risks, developing risk mitigation strategies, and implementing good risk management practices. Companies must also have flexibility in dealing with market and policy changes that may affect their business risks.

Numerous past studies have consistently highlighted the critical role business risk plays in shaping corporate value. Maneerattanarungrot and Donkwa (2018) emphasize that well-managed business risks can create added value for the company. The study underscores the importance of risk mitigation strategies to increase corporate value. Hung et al. (2021) broaden their horizons by examining the impact of business risk from the perspective of a complex business ecosystem. This research shows that companies that can understand and manage surrounding risks well tend to have better valuations. The integration of risk management as part of the company's strategy is key in responding to uncertain business challenges.

Conclusion

Based on the results of the analysis, it can be concluded that macro fundamentals do not have a significant negative effect on Business Risk, while micro fundamentals have a positive but insignificant effect. Investment Opportunity Set has a negative and significant effect on Business Risk, while Capital Structure has a positive and significant effect. In terms of Financial Performance, micro fundamentals have a significant positive effect, while Investment Opportunity Set and Capital Structure are not significant. The value of the company is not significantly influenced by macro and micro fundamentals, Investment Opportunity Set, and Capital Structure. Business Risk has a positive and significant influence on the value of the company; however, when moderated by Financial Flexibility, its influence becomes insignificant. Conversely, Financial Performance has an insignificant positive influence on company value in the context of moderation by Financial Flexibility.

According to this research, several suggestions can be put forward to improve the performance and value of construction companies on the Indonesia

Stock Exchange. First, companies can improve operational efficiency by identifying and reducing inefficient costs through effective use of technology and project management. Second, diversifying a portfolio of projects can reduce exposure to risk by spreading projects across different sectors. Third, effective risk management, including proper risk assessment and insurance strategies, can help companies face business challenges. Furthermore, companies need to improve fiscal management by monitoring cash flow, controlling costs, and paying attention to accounts receivable and payable management. A focus on customer satisfaction, innovative business strategy development, and holistic risk management are also recommended to enhance competitiveness. Further, improving the quality of project execution and building strong relationships with customers and business partners can help create a good reputation. Other suggestions include liquidity monitoring, funding diversification, capital structure management, strong risk monitoring, and effective communication with related parties. In addition, the research supports the need to consider additional variables, the expansion of sample coverage and time period, as well as the use of more sophisticated analytical models. The integration of industry perspectives, consideration of contextual factors, and qualitative approaches can also provide deeper insight into the factors that affect the value of construction companies.

This study has several limitations that need to be noted. First, the use of secondary data, especially from financial statements or public data, can create limitations regarding the quality, accuracy, and availability of data specific to the variables studied. Second, the sample limitations in this study, especially limited to construction companies on the Indonesia Stock Exchange, may affect the generalizability of findings to the entire construction industry population. Third, a limitation lies in the difficulty of measuring complex variables such as macro fundamentals, micro fundamentals, and Investment Opportunity Set, which can affect the accuracy of results. The omission of other crucial factors and the potentially limited scope of statistical analysis also represent limitations, as well as the specific context of the construction industry on the Indonesia Stock Exchange, which limits the generalizability of the findings. Finally, the limited time coverage of this study may hinder understanding of changes and dynamic relationships between variables over time. Improvements in these areas, such as better use of data, expanded samples, and more sophisticated analysis, can improve the validity and reliability of the research findings.

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