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Determinants Of Corporate Value in Construction Sector Companies In 2020-2023

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Abstract

A construction company is a company that operates in the field of infrastructure development, physical facilities, and infrastructure for the benefit of the general public. This study aims to determine and provide empirical evidence related to the determinants of factors that affect firm value in construction companies listed on the Indonesia Stock Exchange in 2020-2023. The type of data used in this study is secondary data in the form of quantitative documentary data. The data was collected from 60 companies, with a sampling technique using purposive sampling. The analysis technique used in this study was Structural Equation Modeling-Partial Least Squares (SEM-PLS). The results of this study indicate that Liquidity has a significant positive effect on financial distress. Leverage has a significant positive effect on Financial Distress. Liquidity Profitability has a significant positive effect on Financial Distress. Liquidity has a significant negative effect on firm value. Leverage has a significant positive effect on firm value. Profitability has a significant positive effect on firm value. Financial Distress has an insignificant positive effect on firm value. Financial Distress can mediate liquidity on firm value. Financial Distress can mediate leverage on firm value. Financial Distress can mediate profitability on firm value.

Keywords: Firm Value, Financial Distress, Liquidity, Leverage, Profitability.

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INTRODUCTION

In an increasingly competitive business world, every company is required to show good performance so that it can maintain and increase the company's value. One way to get a picture of the company's performance is to conduct an evaluation in the form of an interpretation of the financial report, and then a financial ratio analysis is carried out. Financial ratio analysis is an activity of examining financial statements thoroughly in a certain period to see how far a company has developed (Soemarso, 2002). This financial ratio provides insight into the fundamental aspects of the company that can contribute to the company's value in the eyes of investors. As an investor, the main goal in investing is, of course, to obtain profits, security, and growth of the funds that he invests, where before

investing, he must first sort out and choose a company that is most likely to be able to realize the goals of his investment.

However, since the end of 2019, where the *Covid-19* Pandemic has hit all regions of Indonesia and even other countries have also experienced the same thing, it has had an extraordinary impact on human life, one of which is the construction sub-sector, which is marked by the inhibition of the construction project development process. These obstacles arise as a result of government policies related to the existence of Large-Scale Social Restrictions (PSBB) since 2020, the impact of the PSBB has a direct impact on the implementation of construction projects. Because important elements of construction implementation in the mobilization process such as the availability of materials, labor, and equipment related to project work have been stopped, as a result of which a number of construction project builders have been abandoned and caused the company's value to be poor, which then ultimately leads to financial difficulties or bankruptcy. Just like the existing data that the construction sub-sector in the third quarter of 2020, the construction sector experienced a contraction of -4.52%. The contraction in construction sector growth worsened as it entered the year-end quarter, which recorded - 5.67% (www.investor.id).

Table 1. Average Gap Phenomenon PBV, Financial Distress, Cr, Der, Roa Construction Companies In 2020-2023

NO	The GAP Phenomenon	2020	2021	2022	2023
1.	*PBV* (%)	1,10	6,97	4,51	1,68
2.	*Financial Distress* (%)	3,27	7,23	6,22	5,25
3.	*CR (%)*	1,52	3,49	3.36	3,05
4.	*DER* (%)	0,92	0,46	0,40	0,58
5.	*ROA* (%)	0,02	0,05	0,05	0,04

Source: Data processed, 2024.

Table 1. informs that over the past four years, the average PBV of companies listed in the manufacturing industry has fluctuated, increasing and decreasing *Financial Distress, CR, DER, ROA* in line with the existing *Research Gap*. Some previous studies have shown different results on the factors that affect PBV, which is a *research gap* that can be used as material to formulate research questions in this study. Several studies have tested the factors that affect PBV, including variables*: Financial Distress, CR, DER, ROA.* Several other researchers have also conducted studies on factors that affect *Financial Distress, CR, DER, and ROA.*

In a good company to be used as a place to invest, it must have good fundamental factors as well, because these fundamental factors reflect the picture of a company's financial condition. The main purpose of a company going public on the Indonesia Stock Exchange (IDX) is to increase the value of its company. If the company's value is getting higher, of course, it will also be followed by a high level of prosperity for its shareholders. if the stock price is getting higher, it will also affect the company's value.

Bankruptcy is a condition where a company experiences difficulties in meeting its financial obligations. A company must conduct various analyses from the beginning, including those related to bankruptcy, so that it can identify signs of bankruptcy early on. A financial distress prediction model is needed to determine whether a company is experiencing financial difficulties or not, and it is expected that the company can take preventive measures before experiencing financial distress.

Every company owner will always do various ways so that his company can show his potential investors that his company has good company value. Companies with stable and high profits can attract investors to invest (Firlana & Irhan, 2020). Where the value of the company can be described by the condition of the company. With a good value of the company, it will be viewed well by potential investors, and vice versa. The good and bad of a company is influenced by the management of the company itself. The main purpose of good management is to ensure the alignment of the interests of shareholders with the interests of the company's management. Investors will evaluate the company's financial performance to understand the company's value. Investors use financial ratios to evaluate a company's financial performance which shows the development of the company's financial condition and its ability to manage resources effectively to increase the company's value (Rusmant & Lisal, 2019).

The liquidity ratio serves to measure a company's ability to fulfill its short-term obligations that have matured, both obligations to external parties of the company and internal to the company (Kasmir, 2019). The more liquid a company is, the better the company's value, this is because investors consider the company to be able to pay off its short-term obligations. Good liquidity is a positive signal for investors because it indicates that the company's financial condition is healthy (Farizki, Suhendro & Masitoh, 2021). According to research conducted by according to (Caesaria and Suhartono 2023), the results show that liquidity with a proxy current ratio (CR) does not affect the company's value. These results are in line with research conducted by (Febriani, 2020) and (Arafa & Solichag, 2023) which also shows that liquidity does not influence the value of a company. The high and low liquidity of a company cannot affect the value of the company. This shows that investors do not pay attention to the company's liquidity level because the liquidity shown by the current ratio (CR) only shows the company's ability to meet current debt obligations with the company's current assets.

The leverage ratio is a ratio used to measure how much a company's assets are financed by debt (Kasmir, 2019). According to (Harahap, 2018), the leverage ratio describes the relationship between a company's debt to capital and assets owned by a company. According to (Kasmir, 2019), if the leverage ratio is high, it will have an impact on the risk of large losses, but it also has the opportunity to obtain greater profits by using existing loan funds. On the other hand, if the company has a lower leverage ratio, it will have a smaller risk of loss. The risk of loss generally occurs if the company is unable to pay its obligations on time. In research conducted by Kurniasari & Widyawati (2023), it was stated that the analysis of leverage ratios with *debt-to-equity ratio (DER)* proxies has a positive and significant influence on company value. However, the results of the investigation are not in line with the research conducted by (Caesaria & Suhartono, 2023) and also (Febriani, 2020) which shows that leverage has a significant negative effect on the value of the company. So if the value of debt used by the company is higher than its capital, it tends to reduce the perception of stock prices so that the company's value also decreases (Febriani, 2020).

According to Brigham and Houston (2019), profitability ratios are a group of ratios that show the combined effects of liquidity, asset management, and debt on a company's operating results. The use of profitability ratios can be used comparisons between various components in the financial statements for several periods of the company's operations, especially on the balance sheet and income statements. The results of this ratio calculation can be used as an evaluation of management performance because it can see the company's development in a certain period (Kasmir, 2019). Research according to (Caesaria & Suhartono, 2023) shows results that profitability with ROA proxies has a significant positive influence on company value. The results of this study are by studies

(Syam, Ma'sud & Budiandriani, 2022) and (Chalid, Kalsum & Pelu, 2022) which also show that profitability has a significant positive effect on company value. This shows that if there is an increase in the profitability of a company, it will be followed by an increase in the value of the company and vice versa if there is a decrease in profitability, it will be followed by a decrease in the value of the company.

LITERATURE REVIEW AND HYPOTHESES

Signalling Theory

Signal theory *(signaling theory)* was proposed by Michael Spence (1973) in his research entitled "*Job Market Signaling*". Signal Theory is a theory that provides emphasis and explanation related to information issued by the company, which is very important for external parties and the company's own management to be used as a guideline for investment decisions or future steps for the sustainability of the company. Based on this explanation, a company will try to use the information it issues to convey a message to outsiders about the performance that has been achieved in a certain period (Sudaryanti & Dinar, 2019).

Trade-Off Theory

Theory *Trade Off* stated that the capital structure policy will create a dilemma between how much the company owes and how much equity the company has, so that there is a balance between costs and profits that the company gets (Rasyad & Husnan, 2019). *The* Theory of *Trade Off* shows the value of the company on the optimal capital structure. Company management, knowing that it can make decisions about the *Debt equity ratio*. Some conclusions that can be drawn related to debt, based on the theory *of trade-off,* are as follows (Umdiana & Claudia, 2020). Companies with *Debt debt-to-equity ratio* will have greater financial risk compared to companies that have *Debt equity ratio*.

Firm Value

Company value is one of the indicators of whether a company is healthy or not, and is worth investing in, and is one of the important goals of establishing a company (Wijaya, 2022). Company value is an investor's perception of the company's success rate, which is often associated with the stock price. Higher stock prices make the company's value high and increase market confidence not only in the company's current performance, but also in the company's future prospects (Putri & Budyastuti, 2021). As explained by *Signaling Theory* how the company should signal to users reports in the form of information about what the company has done in realizing the owner's wishes.

Financial Distress

Financial Distress It is a situation of a company or organization that is unable to generate sufficient income, which has an impact on its ability to pay its obligations smoothly. *Financial Distress* This starts from liquidity pressure, which is getting heavier over time, so that it continues in a condition of declining asset value so that it is unable to meet its various financial obligations. Based on Wruck's (1990) statement, *Financial Distress* is a condition of operating cash flow that is not enough to meet the various current obligations of a company.

Liquidity

Liquidity Ratio, according to Hantono (2018), is a ratio used to show a company's ability to meet its short-term obligations by using current assets owned by a company. According to this definition, it can be concluded that a company that is unable to fulfill or pay all its obligations at maturity, it can be said that the company is in a liquid state, and the company is said to be able to fulfill its obligations promptly if the company has a means of payment or current assets that are greater than its current debt. On the other hand, if the company is unable to meet its short-term obligations at maturity, it means that the company is in *Financial Distress.* This will affect the company's value, because potential investors have a bad perception of the company.

Leverage

Leverage is a ratio used to show the extent to which a company is financed by debt. If the use of debt is too high, it will harm the company because the company will fall into the category of extreme leverage (extreme debt), which is a condition where the company is trapped in a high debt level, and it is difficult to release the debt burden. Therefore, the company should balance some debts that are worth taking and from which sources they come.

Profitability

Profitability is a ratio to assess a company's ability to make a profit. This ratio also provides a measure of the level of management effectiveness of a company. This is shown by the profit generated from sales and investment income. The market price of a stock is a reflection of the decision to invest and capital, and good asset management (Putra et al., 2022).

Logical Relationships Between Variables the Effect of Liquidity on *Financial Distress*

The liquidity ratio used in this study is the *Current ratio* (CR). In *Signalling Theory* also explained that the higher the liquidity, the less likely the company is not experience *Financial Distress*. By using the reference to the results of research conducted by (Yusbardini & Rashid, 2019) which states that financial performance by using proxies, *Current Ratio* (CR) has a simultaneous and partial effect on *Financial Discourses*. However, in research conducted by (Agustini & Wirawati, 2019) which states that liquidity has a negative and significant influence on *Financial Distress*. With some differences in the results of the above research, the study concluded the research hypothesis as follows:

H1: It is suspected that liquidity has a significant positive effect on *Financial Distress*

The Effect of *Leverage* on *Financial Distress*

Ratio *Leverage* is a ratio used to measure the extent to which a company's assets are used to finance the company's debt. In *Signalling Theory* explains that the lower the rate of *Leverage*, the more likely a company is not to experience *Financial Distress*. According to research conducted by and (Agustini & Wirawati, 2019) which states that *Leverage* has a positive impact on *Financial Distress*. However, in the investigation carried out by the (Yusbardini & Rashid, 2019) and (Shidiq & Khairunnisa, 2019) which shows the results that *Leverage* does not influence *Financial Distress*. Related to the difference in results in the previous study, this study concluded the research hypothesis as follows:

H2: It is suspected *that leverage* has a significant positive effect on *Financial Distress*

The Effect of Profitability on *Financial Distress*

According to Kasmir (2012), in research (Sudaryanti & Dinar, 2019) states that the profitability ratio is a ratio used to measure the capabilities of a company. Where a company with a high profitability ratio means that the company has sufficient financial ability to meet its operational needs to avoid bankruptcy. Based on research conducted by (Andriani et al., 2023) which states that financial performance with profitability ratio has a simultaneous and partial effect on *Financial Discourses*. However, some researchers show results that the profitability ratio does not affect *Financial Distress,* such as research conducted by (Agustini & Wirawati, 2019) and (Rinofah et al., 2022). From the statements that have been made above, the hypothesis in this study can be concluded as follows:

H3: It is suspected *that profitability* has a significant positive effect on *financial discourses*

The Effect of Liquidity on Company Value

Financial performance, as measured by liquidity ratio, describes the company's ability to meet its financial obligations that must be fulfilled immediately in the short term or within no more than one year. So that it can affect the company's value. In the results of the research conducted by (Chalid et al., 2022) shows the results that the liquidity ratio has a positive effect on the company's value. However, the results are different from the research conducted by (Caesaria & Suhartono, 2023) which shows that liquidity does not affect the company's value. With the different results of the research, the hypotheses in this study are:

H4: It is suspected that liquidity has a significant positive effect on the company's value.

Influence *Leverage* Against Company Value

Ratio *Leverage* is a ratio used to measure the extent to which a company's assets are used to finance the company's debt. *Signaling Theory* explains that the lower the rate of *Leverage*, the more likely it is that a company will not experience financial difficulties or that Financial Distress will affect the company's value. According to research conducted by (Kurniasari & Widyawati, 2023) shows the results that *Leverage* has a positive effect on the company's value. However, the results are different from the research conducted by (Chalid et al., 2022) which shows the results that leverage hurts the value of the company. With the difference in research results, in this study, the researcher concluded the following hypothesis:

H5: Suspected *Leverage* has a significant positive effect on the company's value.

The Effect of Profitability on Company Value

Profitability is measured by indicators *return on assets*. Profitability is also a factor that affects the value of the company. If the manager can manage the company well, then the costs that will be incurred by the company will be minimal, so that the profits generated will be greater (Aulia, 2022). The results of the research conducted by (Caesaria & Suhartono, 2023) and (Aulia, 2022) shows the results that profitability has a positive and significant influence on the company's value. However, the results are different from the research conducted by (Kurniasari & Widyawati, 2023) which shows that profitability does not affect the company's value. With the difference in results in the previous study, in this study, the researchers concluded the following hypothesis:

H6: It is suspected that profitability has a significant positive effect on the company's value.

The Effect of Financial Distress on Company Value

A company can be said to experience financial difficulties if its operating profit, net profit, and book value are negative on equity. The lower the level of health of the company, the more risky the company will be in the future, which certainly raises concerns for investors if the company goes bankrupt. Investors who are reluctant to invest their capital in the company have an impact on the value of the company (Ina Fitriani, 2021)

Research conducted by (Hidayat et al., 2023) which states that financial distress has a positive influence on the company's value. However, in research conducted by (Hikmah & Haldy, 2024) and (Chalid et al., 2022) which shows the results of *Financial Discourses.* It does not affect the value of the company, so with these different results, the researcher's hypotheses are found as follows:

H7: *Financial Distress* has a significant positive effect on the company's value.

The Effect of Liquidity on Company Value with *Financial Distress* as an *Intervening Variable*

The liquidity ratio used in this study is the *Current ratio*. In *Signalling Theory* also explained that the higher the liquidity, the less likely the company is not experience *Financial Distress*. This will be a good signal for investors to see that the company's condition is healthy and fine, and good to be used as a place to invest.

In a study conducted by (Chalid et al., 2022), stating that liquidity has a positive effect on the value of the company to *Financial Discourses* as a variable *intervening*. However, these results are not in line with the research conducted by (Kurniasari & Widyawati, 2023) and (Syam et al., 2022). Therefore, from the difference in results, the hypothesis in this study is as follows:

H8: It is suspected that liquidity has a positive impact on the company's value through *financial discourses*.

The Effect of *Leverage* on Company Value with *Financial Distress* as an *Intervening Variable*

Ratio *Leverage* is a ratio used to measure the extent to which a company's assets are used to finance the company's debt. *Signalling Theory* explains that the lower the rate of *Leverage*, the more likely a company is not experiencing financial difficulties or conditions of *Financial Distress*. According to research conducted by (Chalid et al., 2022) which shows the results that *Leverage* has a positive and significant effect on the company's value by *Financial Distress* as a variable *intervening*. However, these results are different from the research conducted by (Failisa et al., 2024) . Therefore, it can be concluded that the hypotheses in this study are as follows:

H9: It is suspected that *leverage* has a significant positive impact on the company's value through *financial discourses*.

The Effect of Profitability on Company Value with *Financial Distress* as an *Intervening Variable*

Profitability is the company's ability to generate profits and measure the level of operational efficiency and efficiency in using the assets it owns The company must optimize its funds to be able to increase the profits of the company itself, so that the returns given to investors can be higher. In

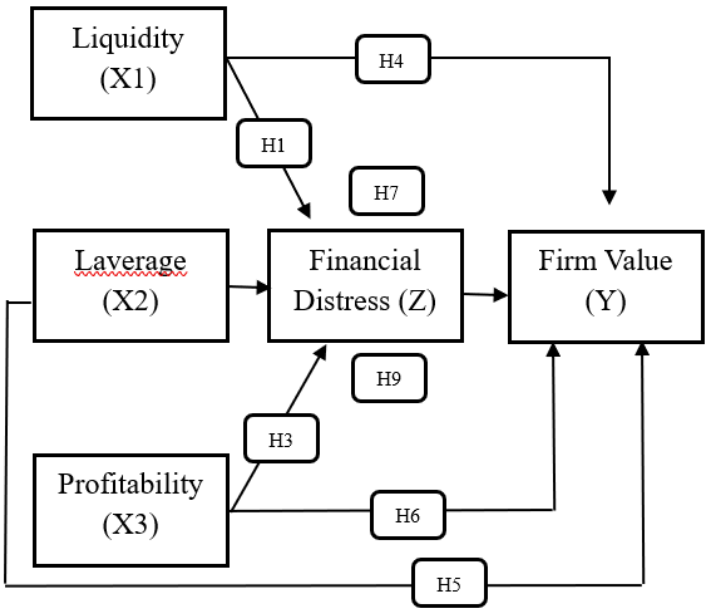
addition, the importance of increasing profits for companies is to analyze the bankruptcy rate of a company (Khitimah et al., 2020). The research conducted by (Chalid et al., 2022) stated that profitability has a positive effect on the company's value to *Financial Discourses* as an intermediary. These results are not in line with the research conducted by (Kurniasari & Widyawati, 2023). Therefore, in this study, the research hypothesis is as follows:

H10: It is suspected that profitability has a positive impact on the company's value through *financial discourses*.

Frame of Mind

Based on the literature review, previous research review, and hypothesis development, the framework of thought proposed in this study is as follows:

Figure 1. Theoretical Thinking Framework



Hypothesis Formulation

Hypothesis 1: It is suspected that liquidity has a positive and significant effect on *Financial Distress*
Hypothesis 2: It is suspected *that leverage* has a positive and significant effect on *Financial Distress.*
Hypothesis 3: It is suspected that profitability has a positive and significant effect on *Financial Distress*.
Hypothesis 4: It is suspected that liquidity has a positive and significant effect on the company's value.
Hypothesis 5: It is suspected *that leverage* has a positive and significant effect on the company's value.
Hypothesis 6: It is suspected that profitability has a positive and significant effect on the company's value.
Hypothesis 7: It is suspected *that Financial Distress* has a positive and significant effect on the company's value.
Hypothesis 8: It is suspected that liquidity has a positive and significant effect on the value of the company's *Financial Distress* as an Intervening variable.

Hypothesis 9: It is suspected *that leverage* has a positive and significant effect on the value of the company, with *Financial Distress* as an Intervening variable.
Hypothesis 10: It is suspected that profitability has a positive and significant effect on the value of the company, with *Financial Distress* as an Intervening variable.

METHODS

Research Variables

A variable is a concept that will be used as the basis for measurement by using various values to provide a more concrete picture of the observed phenomenon (Indriantoro & Supomo, 2018). In this study, the variables used are as follows:

Independent Variables (Independent Variables)

Independent variables are the type of variables that will explain or affect other variables. The independent variables used are Liquidity (X1), *Leverage* (X2) and Profitability (X3).

Dependent Variable (Bound Variable)

Dependent (bound) variables are variables that are influenced by independent variables. The dependent variable used in this study is Company Value (Y).

Intervening Variable

The intervening variable as variable is located in the middle between independent and dependent variables, so that independent variables can have an indirect effect on the dependent variable. The intervening variable used is *Financial Distress* (Z).

Operational Variables

This research consists of independent variables and dependent variables, including the following:

Table 2. Variable Operational Definition

Yes	Operational Definition	Measurement	Scale	Source
1.	***Price Book Value*** As a Value Measuring Indicator, the Company has undergone many developments.	$PBV = \frac{Market\ price\ per\ share}{Book\ value\ per\ share}$	Ratio	Khakim & Yudiantoro, (2022)
2.	***Financial Distress*** *Financial Distress* is a state of decline in the company's financing before the bankruptcy conditions occur.	*Z = 6.56 (X1) + 3.26 (X2) + 6.72 (X3) + 1.05 (X4)*	Ratio	Rudianto, (2013)
3.	***Current Ratio*** Liquidity ratio is an analysis used to describe the extent of a company's ability to finance and settle	$CR = \frac{Current\ asset}{Current\ liabilities} x100\%$	Ratio	Cashmere, (2018)

Yes	Operational Definition	Measurement	Scale	Source
	a company's short-term liabilities.			
4.	***Debt Equity Ratio*** The capital structure in this study is proxied with *Debt To Equity Ratio (Debt To Equity Ratio), Debt To Equity Ratio* is a ratio used to see the comparison between total liabilities and total company equity	$DER = \frac{Total\ Hutang}{Total\ Equity}$	Ratio	Maharani & Mawardhi, (2022), Santoso & Susilowati, (2020)
5.	***Return on asset*** *Return on assets* (ROA) is a ratio that shows the return on the number of assets used in the company. ROA is also a measure of management's effectiveness in managing its assets	$ROA = \frac{EAIT}{Total\ Asset} x100\%$	Ratio	Ghafar et al., (2023)

Sample Units, Population and Sample

Population

Population is a generalization consisting of objects/subjects that have certain qualities and characteristics that are determined by the researcher to be studied and then drawn conclusions (Scott, 2019). The population used in this study is construction sector companies.

Sample

The sample used in this study was 60 companies, with a sampling technique using *purposive sampling.* The criteria are as follows:

1. The company has been listed on the Indonesia Stock Exchange (IDX) during the research observation period of 2020-2023.
2. The company published financial reports in the period 2020-2023.
3. The company has the data needed for this study.

Types of Data Sources

The type of data in this research is quantitative data, namely data in the form of numbers. The data source used is secondary data obtained from financial statement data.

Data Collection Methods

Data collection on this penalty will be carried out using documentation analysis on the financial statements of the companies that *are publicly* listed on the Indonesia Stock Exchange for 2020-2023.

Analytical Techniques

The analysis technique used in this study is *Structural Equation Modeling-Partial Least Squares* (SEM-PLS), is one of the classifications of the *Structural Equation Modeling* (SEM) method. This study uses a Structural Equation Model (SEM) approach with a measurement *model* using the Smart PLS program version 3.2.9 to measure the intensity of each variable and a structural model analyzing research data and hypotheses.

Measurement Model (Outer Model)

Validity Test

The validity test is carried out with the aim of finding out whether the processed research data is valid or not. Validity testing describes all existing research data on each variable. The validity test stage has several tests, including *convergent validity, discriminant validity,* and *average variance extracted* (AVE). If the test value is said to be valid, further testing can be carried out.

Reliability Test

Reliability tests are a series of tests conducted to assess the reliability of the data collected. The reliability test describes the level of consistency of the measuring instrument used to measure research data. Reliability tests are carried out through *Composite reliability*, where the variable is concluded to be reliable if the resulting value has a value greater than 0.7 (Ghozali, 2021).

Structural Model Test (Inner Model)

This test is used to predict the causality of the relationship between the variables present in the study. The structural model test consists of:

Coefficient of Determination (R2)

The percentage measurement of the influence of all independent variables on the value of the dependent variable is indicated by the magnitude of the determination coefficient *R-Square* (R2) between one and zero, where the value of *R-Square* (R2) that is close to one give a large percentage of influence. The R2 criteria consist of three classifications, namely: R2 values of 0.67, 0.33 and 0.19 as substantial, moderate and weak (Ghozali, 2021).

Hypothesis Testing

Testing of the entire research hypothesis using the *Partial Least Squares* (PLS). Models that have been *tested* can use the assumption that the data does not have to be normally distributed; the measurement scale can be nominal, ordinal, interval, or ratio. The sample size does not have to be large, and the indicator does not have to be in reflective form because it can also be formative (Ghozali, 2021).

RESULT AND DISCUSSION

Table 3. Average *Variance Extracted* (AVE) Results

	Average Variance Extracted (AVE)
Liquidity	0,733
Leverage	0,697
Profitability	0,714

Financial Distress	0,695
Company Values	0,755

Source: Data processed, 2024.

The *value of the Average Variance Extracted* (AVE) for each construct or variable of *liquidity, leverage, profitability, Financial Distress, and company value* is greater than 0.5. Therefore, it can be concluded that the measurement of each of these constructs or variables is considered valid.

The results of the reliability test were obtained with *Cronbach's alpha* and *composite reliability values greater* than 0.70, respectively. It can be concluded that every variable used can be said to be reliable.

Structural Model Testing (Inner Model)

After the estimated model meets the criteria, one of the methods for testing the inner model is to look for the R-squared (R2) value in the dependent variable. Structural models with an R-square (R2) value above 0.19 indicate that the model is "weak", while if the R-square (R2) value is above 0.33, it indicates that the model is "moderate", and the R-square (R2) above 0.67 indicates that the model is "good" (Ghozali, 2021). Here is the *value of the Adjusted R-squared* on the construct.

Table 4: Output R-Square

	R Square	**R Square Adjusted**
Financial Discourses	0,721	0,715
Company Values	0,841	0,836

Source: Data processing with PLS, 2024

The *value of R-Square Financial Distress* is 0.721. These results can illustrate if the variables of liquidity, *leverage* and profitability are able to explain the variation in *the Financial Distress* variable of 72.1%. With the value of *the R-squared* coefficient, the first model can be categorized as a moderate model.

The *R-squared* value of the Company value is 0.841. These results can illustrate whether the variables of liquidity, *leverage*, profitability, and *financial distress* can explain the variation in the variable of company value by 84.1%. With the value of *the R-squared* coefficient, the first model can be categorized as a strong model

Research Model

The results of data processing using the PLS software tool, in the output of the loading factor construct structure model that will explain the relationship between the constructs, are shown in the following Figure 2.

The results of the significance test on each hypothesis can be seen in the table below. In this study, hypothesis testing is seen from the t-statistic and p-values. The assessment criteria are that if the p-value is <0.05, the research hypothesis is accepted. If the t-statistic value is greater than the t-table value of 1.96% (α = 5%), then it is concluded that the hypothesis proposed in the study is accepted. Hypothesis testing is carried out by looking at the output path coefficient from the bootstrap resampling results as follows:

Figure 2. PLS Loading Factor Display

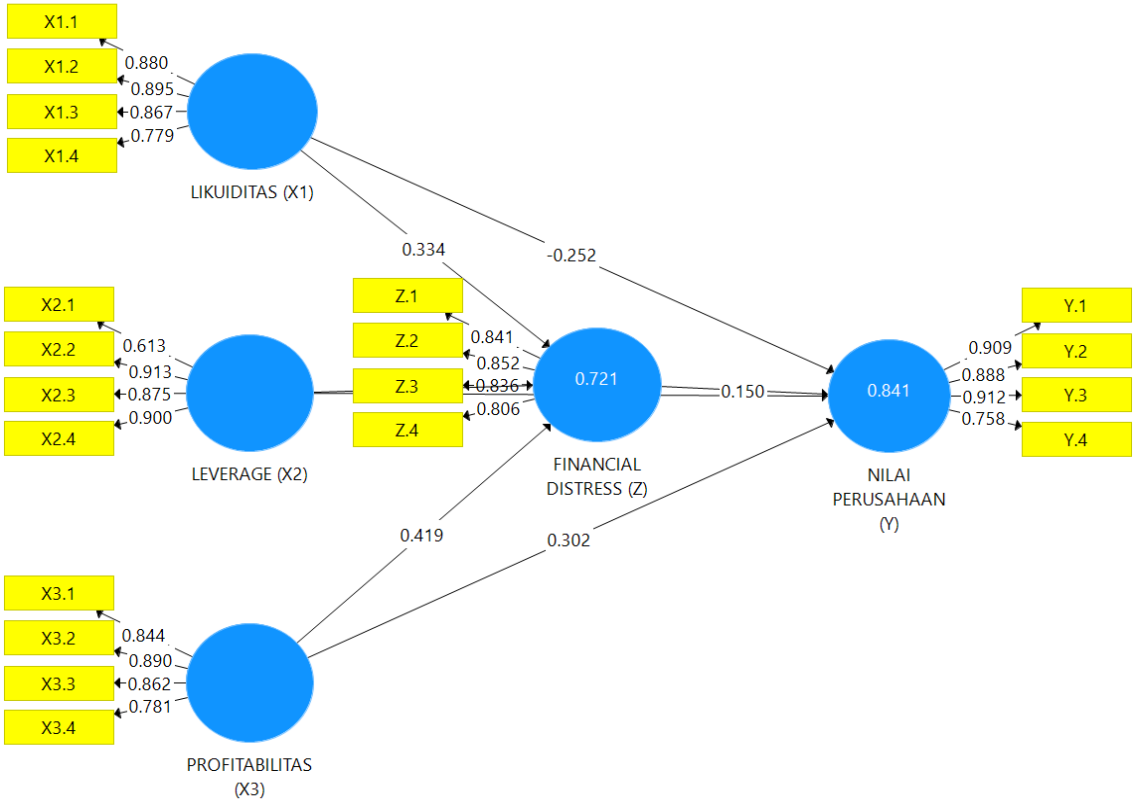


Table 5. Output Path Coefficient Test Results

Indikator	Original Sample (O)	T-Statistics	P Value
X1 -> Y	-0,252	3,661	0,000
X1 -> Z	0,334	3,895	0,000
X2 -> Y	0,704	8,868	0,000
X2 -> Z	0,225	2,551	0,000
X3 -> Y	0,302	4,749	0,000
X3 -> Z	0,419	5,767	0,000
Z -> Y	0,150	1,919	0,028
X1 ->Z ->Y	0,175	2,174	0,015
X2-> Z ->Y	0,431	2,152	0,016
X3->Z->Y	0,917	5,543	0,000

Source: Data processing with PLS, 2024

The significance of the hypothesis in a test can be seen from the values *of P-values* and *T-Values;* these values can be determined by *bootstrapping* on the *path-coefficient* table and *the specific indirect effect*. With the criteria of a significant value *of P-Value* less than 0.05 and a significant value of 5%, *the path-coefficient* is considered significant if the t-value of statistics is more than 1.96.

Table 6. Direct Influence Hypothesis Test

	Original Sample (O)	T Statistics (|O/STDEV|)	P Values	Decision
Liquidity -> *Financial Distress*	0,334	3,895	0,000	H1 accepted
Leverage -> Financial Distress	0,225	2,551	0,006	H2 accepted

Profitability ->*Financial Distress*	0,419	5,767	0,000	H3 accepted
Liquidity -> Company Value	0,252	3,661	0,000	H4 accepted
Leverage -> Company Value	0,704	8,868	0,000	H5 accepted
Profitability -> Company Value	0,302	4,749	0,000	H6 accepted
Financial Distress -> Company Value	0,150	1,919	0,028	H7 rejected

Source: Data Processed, 2024.

The results of the above data processing can be found in the testing of each hypothesis that has been proposed, it can be found that in H1 to H6 it has a statistical value greater than 1.96 and a significant value of less than 0.05, so it can be said that the hypothesis is accepted. However, on H7, the statement that *Financial Distress* has a significant positive effect on the company's value can be rejected, because the statistical value of 1.919 < 1.96 and the *value* of 0.28, which states that the testing on this hypothesis is positive but not significant.

Mediation Test Results

The results of the analysis of the influence of financial attitudes and income on financial management behaviour through financial literacy are as follows:

Table 7. Results of the mediation-indirect influence test

	Original Sample (O)	**T Statistics (|O/STDEV|)**	**P Values**	**Decision**
Liquidity -> *Financial Discourses* -> Company Value	0,175	2,174	0,015	H8 accepted
Leverage -> *Financial Distress* -> Company Value	0,431	2,152	0,016	H9 accepted
Profitability -> *Financial Discourses* -> Company Value	0,917	5,453	0,000	H10 accepted

Source: Data processed, 2024.

The results of the above test illustrate that liquidity, *leverage* and profitability have a significant positive effect on the company's value through *financial discourses* as intervening variables, which are illustrated by a t-statistical value in each hypothesis greater than 1.96 and *a P-Values* smaller than 0.05 so that it can be concluded that the hypothesis is accepted.

1. ***The Effect of Liquidity on Financial Distress***

   The test results show that liquidity has a significant impact on *Financial Distress* in construction sector companies in 2020-2023. These results are in line with research conducted by (Yusbardini & Rashid, 2019) which states that the higher the liquidity value, the more likely the company is to experience financial difficulties.

2. **The Effect of *Leverage* on *Financial Distress***

   The test results show that *Leverage* has a significant impact on *Financial Distress* in construction sector companies in 2020-2023. These results are in line with research conducted by (Andriani et al., 2023) which states that the higher the value of *Leverage,* the company will have to experience financial difficulties.

3. ***The Effect of Profitability on Financial Distress***

   The test results show that *Profitability* has a significant impact on *Financial Distress* in construction sector companies in 2020-2023. These results are in line with research conducted

by (Yusbardini & Rashid, 2019) which states that companies that experience poor health are the most likely to be far from financial difficulties.

4. ***The Effect of Liquidity on Company Value***

The test results show that liquidity has a significant impact on the company's value in the construction sector in 2020-2023. These results are in line with research conducted by (Chalid et al., 2022) which states that investors tend to be attracted to companies that have strong operating cash flows, especially related to their availability to pay off short-term obligations that will mature.

5. ***The Effect of Leverage on Company Value***

The test results show that *Leverage* has a significant impact on the company's value in construction sector companies in 2020-2023. These results are in line with research conducted by (Kurniasari & Widyawati, 2023) which states that the company is able to utilize the debt it owns as reserve capital for the company's operational activities, so that the share price will increase and will be followed by an increase in the company's value.

6. ***The Effect of Profitability on Company Value***

The test results show that profitability has a significant impact on the company's value in construction sector companies in 2020-2023. These results are in line with research conducted Caesaria & Suhartono (2023), which states that if profitability increases, it will be followed by an increase in the value of the company, and vice versa. Profitability is one of the indicators of company performance that describes the measure of the level of effectiveness of the company's management, as shown by the profits generated.

7. ***Financial Distress* on Company Value**

The test results show that *Financial Distress* has a positive but not significant influence on the company's value in the construction sector in 2020-2023. This result is in line with research conducted by the company, which states that companies will be in a state of financial difficulty when the book value is negative compared to revenue and equity. So the lower the level of the company's strength, the greater the company's risk in the future, which of course will increase investors' fears in the event of bankruptcy.(Aldo Saputra, 2021)

8. **The Effect of Liquidity on Company Value through *Financial Distress***

The test results show that liquidity has a significant impact on the value of the company, with *Financial Distress* as a variable *intervening* in construction sector companies in 2020-2023. These results are in line with research conducted by (Chalid et al., 2022) which shows that if a company is experiencing financial difficulties, it tends to use cash flow to cover its operational shortcomings rather than paying dividends to investors, then this affects the value of the company.

9. **The Effect of *Leverage* on Company Value through *Financial Distress***

The test results show that *Leverage* has a significant impact on the company's value by *Financial Distress* as a variable *intervening* in construction sector companies in 2020-2023. These results are in line with research conducted by (Chalid et al., 2022), which indicates that companies with high debt levels and exacerbated by financial difficulties will lower the value of the company.

10. **The Effect of Profitability on Company Value through *Financial Distress***

The test results show that profitability has a significant impact on the company's value by *Financial Distress* as a variable *intervening* in construction sector companies in 2020-2023. These results are in line with research conducted by (Chalid et al., 2022) which states that if a

company experiences financial difficulties, the profits obtained cannot be used for stock returns, it will affect the value of the company.

CONCLUSION AND SUGGESTION

Conclusion

Based on the analysis above, it can be concluded that construction sector companies listed on the Indonesia Stock Exchange in 2020-2023 during the covid-19 pandemic and thereafter experienced financial difficulties caused by a decrease in profitability levels to interfere with their performance in the repayment of long-term and short-term obligations, this must be addressed by improving good management governance, because with a good management order it will affect the value of the company.

This study provides theoretical contributions to strengthen the literature on the relationship between firm value and financial ratios, especially in the construction sector affected by COVID-19. The findings in this study, liquidity, leverage, and profitability, have a significant influence on financial distress, and firm value supports and expands understanding based on signaling and trade-off theories. The existence of economic distress as an important intervening variable enriches the construction of theoretical models in examining firm value with the SPLS approach.

The results of this study also provide an overview of construction company management and investors regarding the importance of maintaining financial performance, namely liquidity, leverage, and profitability. These findings for management are the basis for establishing a better financial management strategy to minimize financial distress and increase the value of a company. While the benefits for investors, this study provides relevant indicators in assessing financial health and long-term prospects of companies in the construction sector.

Suggestion

From the results of the discussion that has been carried out, the suggestions that the researcher can give are as follows:

1. For Investors

The results of this study show that investors need to consider Liquidity, *Leverage,* and Profitability in assessing the value of the company. The ratio provides an overview of the performance condition of a company.

2. For Companies

For the company's management, it should be able to manage and be able to maintain the company's financial performance so that it is always in good condition, because this can increase the company's value, so that it can attract investors to add capital.

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