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Capital Influence on Company Value with Profitability as Intervening Variables (Study on Building and Non Building Construction Companies Listed in Indonesia Stock Exchange Period 2012-2017)

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Abstract: ***This study aims to, (1) Analyze the influence of Capital Structure on Profitability; (2) Analyze the effect of Capital Structure on Company Values; (3) Analyze the effect of profitability on Company Values; (4) Analyzing the effect of Capital Structure on Firm Value with Profitability as an intervening variable. The type of research used is explanatory with a quantitative approach. The population in this study is the Building Construction and Non-Building Companies listed on the Indonesia Stock Exchange (IDX). The number of companies in this study were 13 companies. Determination of samples by purposive sampling method. The data analysis technique uses Path Analysis and the analysis tool used is IBM SPSS 25. The results showed that (1) Capital Structure has a positive and significant effect on profitability; (2) Capital Structure has a positive and significant effect on Company Value; (3) Profitability has a positive and significant effect on Company Value; (4) Profitability is able to mediate the influence of Capital Structure on Firm Value.***

Keywords: Construction, DER, PBV and ROE

1. Introduction

The company strives to optimize the value of the company and obtain maximum profit and increase asset value at relatively adequate costs. The value of the company can describe the condition of the company, with good value of the company, the company will be considered good by prospective investors, and vice versa (Nurlela and Ishaluddin, 2008). Several factors influence the value of the company, including company size, company growth, asset value, dividends, tax savings, exchange rate fluctuations, and capital market conditions (Sudarma, 2004). Kusumajaya (2011) says that company value is the market value of the company's equity plus the debt market value. Thus, changes in the total equity of the company with company debt. The company value is an investor's perception of the level of success of the company that is often associated with stock prices. High stock prices make the value of the company also high. A high corporate value will make the market believe not only in the company's current performance but also in the company's prospects

Increasing the value of the company needs a company funding policy in determining the ratio between debt and equity. Therefore, the capital structure is measured by a debt to equity ratio (DER), DER is a ratio used to measure the level of leverage (total use of debt) to total shareholder's equity owned by the company. Theory concerning capital structure is a theory that explains the debt and equity company funding policies to maximize company value (Husnan, 2004), according to the trade off theory, if the DER is higher the PBV will increase as long as the DER has not reached its optimal point. what has been done by Velnampy and Niresh (2012) proves that capital structure has a positive and significant effect on firm value, this conclusion is different from Eli's (2008) study which states otherwise.

Based on the results of the previous research, it was found that the results of the study were not the same between the dependent variables (Capital Structure) and the independent (firm value). Some studies that state that there is a significant influence, there are still studies that state that the capital structure does not have a significant effect on the value of the company, so that other factors that can mediate the effect of capital structure on firm value can be identified which results in inconsistent research results. Another factor that might mediate the influence of capital structure on firm value can be derived from the profitability of the company.

This study aims to see whether profitability is able to mediate the relationship of capital structure with firm value. this research was also carried out because in several previous studies it was shown that there were influences among all variables, but the role of profitability in mediating the effect of capital structure on firm value was still less tested by several researchers. Profitability according to Sartono (1997) is the ability of companies to earn profits in relation to sales, total assets and own capital. This profitability ratio will provide an overview of the effectiveness of the company's management. The higher profitability means the better, because the prosperity of the owner of the company increases with higher profitability. High profitability reflects the company's ability to generate high profits for shareholders

Profitability ratio is a measure of company performance by giving an indication of the ability to generate profits, and showing efficiency regarding company performance. This study uses ROE (Return On Equity) as a proxy for profitability ratios. According to signaling theory, profitability ratios function as variables capable of mediating the relationship between the independent variable (capital structure) and the dependent variable (company value). Research conducted by Tunnisa (2016) proves that profitability is not able to mediate the effect of capital structure on firm value. different from the results of research conducted by Hamidy (2014) which proves that profitability is able to mediate the effect of capital structure on firm value.

Price book value (PBV) indicators are used to show how far a company is able to create company value relative to the amount of capital invested, the higher the ratio the more successful the company creates value for shareholders. By knowing the ratio of PBV, investors can identify which stocks are reasonable, undervalued and overvalued. The use of PBV as a proxy that represents company value is also used in most studies that use company values in their research variables.

Based on data published by Indonesia Stock Exchange (IDX) the number of construction companies is 26 companies, with the number of construction companies having a significant influence on the dynamics of stock trading on the IDX. The size of the average variable (DER, PBV, and ROE) in construction companies which are listed on the Indonesia Stock Exchange from 2012 to 2017 as follows:

Table 1: Average DER PBV ROE for building and non-construction companies in 2012 – 2017

Variabel	2012	2013	2014	2015	2016	2017
Debt to Equity Ratio	227,7964	242,0531	275,2245	165,2777	164,8871	229,9385
Return On Equity	18,899	18,563	15,974	18,477	19,074	21,070
Price Book Value	15,756	15,980	24,725	20,871	19,529	21,488

Source: www.idx.co.id (Data processed in 2018)

Based on the calculation results show that DER in the last 6 years (in 2012-2017) which shows that 2013 to 2014 experienced an increase while in 2015 it decreased until 2016, and in 2017 it again increased. While the results of PBV calculations decreased in 2013 and experienced an increase in 2014 and again experienced a decline from 2015 to 2016, and again experienced an increase in 2017. Likewise with ROE, based on the results of calculation of ROE from 2012 - 2017 increased in 2013, the decline in 2014, again increased in 2015 and fell back in 2016, and again increased in 2017. This event explained that the company's ability to obtain profits can be achieved.

The researcher chose construction companies listed on the Indonesia Stock Exchange as the object of research because the construction and construction sectors were one of the strongest sectors supporting economic growth in Indonesia. Studies conducted by the Central Bureau of Statistics (BPS) show that the construction sector is in the third position as the main source of Indonesia's economic growth. The developing construction sector made the Indonesian economy in 2017 grow by 5.01% and GDP by 10.38%, higher than the previous year (www.cekindo.com). In addition, the government and Parliament have just completed Law No. 2 of 2017 concerning Construction Services. This rule supersedes the Construction Services Law Number 18 of 1999 (finance.detik.com). This new law is regulated from upstream to downstream about construction services both regarding supply chains, delivery systems in the procurement system of goods and services as well as quality construction quality, as well as the need for settlement of construction disputes, so that the current focus of infrastructure development is carried out by the Indonesian government and regulations new construction services can provide a positive stimulus for investors that will make investors pay more attention to the infrastructure and construction sectors. Conducive construction services business is influenced by many factors, among others, through government regulation support, sectoral policies, good governance, business structure, composition of the market size and supply demand and economic growth. (Asmoeadji, 2009).

Judging from previous research and current phenomena, researchers want to see the effect of Capital Structure on Firm Value with Profitability as an Intervening Variable. This research was also conducted because in some previous studies showed that there were influences among all variables, but the role of Profitability in mediating the effect of Capital Structure on Corporate Values was still less tested by several researchers.

2. Literature Review

2.1. Trade Off Theory

Trade Off Theory assumes that the company's capital structure is the result of a trade off of tax profits by using debt with costs that will arise as a result of using the debt (Hartono, 2013). The essence of the trade off theory in capital structure is to balance the benefits and sacrifices that arise as a result of using debt. If the benefits are greater then it is permissible to use additional debt, but if the use of debt is far greater then the additional debt is not allowed.

2.2. Pecking Order Theory

This theory states that there is a kind of order (pecking order) for the company in using capital. The theory also explains that companies prioritize internal equity funding (use of retained earnings) rather than external equity funding (issuing new shares).

2.3. Agency Theory

In agency theory the capital structure is designed to reduce conflicts between various interest groups. Shareholder conflict with managers is actually the concept of free cash flow. But there is a tendency that managers want to hold resources so they have control over these resources. Debt can be considered as a way to reduce agency conflict related to free cash flow. If the company uses debt, the manager will be forced to issue cash from the company to pay interest.

2.4. Signal Theory

This theory explains that companies that increase debt can be seen as companies that are confident in the prospects of the company to come. Increased debt is also interpreted by outsiders about the ability of companies to pay their obligations in the future or low business risks, so that additional debt will provide a positive signal (Brigham and Houston, 2001)

2.5. The value Of Company

Company value is a certain condition that has been achieved by a company as an illustration of public trust in the company after going through an activity process for several years, namely since the company was established until now (Sudiyanto, 2010). Some indicators for measuring company value include: Price earnings ratio, Tobin's Q and Price book value.

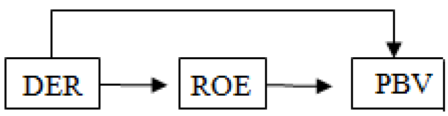
2.6. Capital Structure

Capital structure is a comparison between long-term debt with own capital, therefore the capital structure is measured by a debt to equity ratio (DER). DER is a ratio used to measure the level of leverage (use of debt) to the total shareholder equity of the company (Robert, 1997).

2.7. Profitability

Profitability is the ability to generate profits or profits over a period of time using assets or capital, both capital as a whole and own capital. Profitability is the end result of a number of company management policies and decisions (Brigham and Houston, 2006: 107).

2.8. Conceptual Framework



2.9. Hypothesis

The hypothesis proposed in this study are as follows:

H1: It is assumed that there is a positive and significant influence on the capital structure of company values on companies in the building and non-construction sectors listed on the Indonesia Stock Exchange from 2012 to 2017.

H2: It is assumed that there is a positive and significant effect of the capital structure on profitability in companies in the construction and non-construction sectors listed on the Indonesia Stock Exchange from 2012 to 2017

H3: It is suspected that there is a positive and significant effect on profitability on firm value in companies in the building and non-construction sectors listed on the Indonesia Stock Exchange from 2012 to 2017.

H4: Allegedly profitability is able to mediate the influence of capital structure on firm value in building and non-building construction companies listed on the Indonesia Stock Exchange from 2012 to 2017.

3. Research Metode

3.1 Types of Research

The type of research used based on the research objectives is explanatory. The eskplanatori research according to Sugiyono (2006) is a study that explains the relationship between variables that influence the hypothesis. In this study there are at least two variables that are connected and this study serves to explain, predict and control a symptom. Therefore in this study we will explain about the existence of an interactive or reciprocal relationship between the variables that will be examined and the extent to which the relationship affects each other.

3.2 Operational Definition of Variables

1) Company Value (Y)

Company value measured by price book value (PBV) is the ratio between the price of a share of a book and the value of a book in shares of infrastructure companies in 2012 - 2017 on the IDX. This ratio is used to assess an equity based on the book value.

2) Capital Structure (X1)

Capital structure as measured by the debt to equity ratio (DER) is the ratio of total debt held by the company to the total equity of the company in construction companies listed on the Stock Exchange in 2012 - 2017. DER is expressed in units of percentages (%). The DER ratio is said to be good if the value is 1: 1 or ≤ 100%.

3) Profitability (X2)

Profitability measured by return on equity (ROE) is the company's ability to generate profits with its own capital. Return on equity (ROE) measures a company's ability to generate profits based on certain capital. ROE measures not income with equity.

3.3 Data Analysis Procedure

The data analysis procedure is **Descriptive Statistics** Analysis aims to provide information about the main research characteristics, **the Basic Assumption Test** is used to see whether the data is normally distributed or not, **Performing the Classic Assumption Test** is used to determine whether there is heteroscedasticity, and to detect autocorrelation, **Feasibility Test The Model (F-Test)** is used to assess the feasibility of the regression model that has been formed, **adjusted coefficient (Adjusted R2)** aims to measure how far the ability of the model to explain the dependent variable variation, **Analysis Path** is used to analyze the pattern of causal relationships between variables with the aim of knowing the direct and indirect effects independently or independently of several causal variables on a result variable.

4. Data Analysis and Result

4.1 Path Analysis

The next data processing technique is by using path analysis. This analysis serves to find out the direct and indirect effects of a set of variables.

Tabel 11: Hasil Pengujian Regresi Persamaan 1

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std Error	Beta	t	Sig.
1	(Constant)	-1.911	.945		-2.022	.047
	DER	.819	.182	.460	4.514	.000
a. Dependent Variable: Nilai Perusahaan						

Based on the results of stage 1 regression testing, the SPSS output results in unstandardized beta DER values in equation (1) of 0.819 and significant at 0.000 (<0.05) which means that DER has a positive effect on Firm Value, so that hypothesis 1 (H1) can be concluded states that DER has a positive and significant effect on accepted firm value. Unstandardized beta coefficient value 0.819 is the value of path or path P1. So, the function of the analysis equation for the path formed is Y1 = 0.819X1 + e

Tabel 12: Hasil Pengujian Regresi Persamaan 2

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.839	.736		1.140	.258
	DER	.338	.141	.264	2.390	.019
a. Dependent Variable: ROE						

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-2.215	.921		-2.407	.019
	DER	.697	.182	.391	3.834	.000
	ROE	.362	.142	.260	2.548	.013
a. Dependent Variable: Nilai Perusahaan						

Based on the results of regression testing stage 2, the results of the SPSS regression equation (2) the unstandardized beta value for DER on ROE is 0, 338 and significant at 0.019 (<0.05), which means that DER has a positive and significant effect on ROE. Beta unstandardized coefficient value for DER of 0.338 is the path value or path P2, so the second hypothesis (H2) which states the capital structure has a positive and significant effect on profitability in the company received. Whereas the unstandardized beta value for DER for firm value is 0.697 and significant at 0.000 (<0.05), which means that DER has a positive and significant effect on firm value.

Unstandardized beta values for ROE on firm value are 0.362 and significant at 0.013 (<0.05), which means ROE has a positive and significant effect on firm value. Then it can be concluded that H3 states that profitability has a significant and positive effect on the value of the company at the company received. Unstandardized beta coefficient value for ROE of 0.362 is the value of path or path P3.

The value of e serves to explain the amount of variance that cannot be explained (unexplained variance) by that variable. The value of e can be valued with e = dengan ⟦1-R⟧ ^ 2, so the value of e1 = √ (1-0,211) = 0.88825 and the amount of e2 = √ (1-0,274) = 0.85205. So, the function of the analysis equation of the path formed is as follows:
Regression Equation I Y1 = 0.819X1 + 0.88825
Regression equation II Y2= 0.338X1 + 0.362X2 + 0.85205

Direct and Indirect Effects

The magnitude of the direct effect of capital structure on firm value is 0.819, with a significant effect. Whereas to see the indirect effect of capital structure on firm value mediated by profitability is done by multiplying the indirect coefficient, namely:

Indirect Effects:
IE = PY2X1 x PY2X2
IE = 0.338 x 0.362
IE = 0.122356

The results of these calculations indicate that the indirect effect obtained a number of results of 0.122356. This number means the effect of capital structure on firm value through profitability of 0.122356. The effect of mediation indicated by the multiplication of coefficients indicated by the standardized beta value (p2 x p3) = (0.264 x 0.260) = 0.06864 so that the mediation effect is 0.06864. The results shown from the influence of the mediation do not reflect the level of significance, so they must be tested again with Sobel test to see whether or not the influence of the mediation is significant. The Sobel test is as follows:

$$(s_{p2p3}) = \sqrt{p3^2 Sp2^2 + p2^2 Sp3^2 + Sp2^2 Sp3^2}$$

$$(s_{p2p3}) = \sqrt{(0{,}362)^2(0{,}141)^2 + (0{,}338)^2(0{,}142)^2 + (0{,}141)^2(0{,}142)^2}$$

$$(s_{p2p3}) = \sqrt{(0{,}131044)(0{,}019881) + (0{,}114244)(0{,}020164) + (0{,}019881)(0{,}020164)}$$

$$= 0{,}0537464965$$

Based on the results of Sp2p3 can be calculated the value of t statistic influence of mediation with the following formula:

$$t = \frac{p2p3}{Sp2p3}$$

$$t = \frac{0{,}122356}{0{,}0537464965}$$

$$= 2{,}2765$$

The value of tcount = 2.2765 is greater than t table with a significance level of 0.05 which is 1.99167, tcount> ttable, it can be concluded that the mediation coefficient is 0.122356 significant, which means there is an influence of mediation. This shows that the profitability variable acts as an intermediary in the relationship of capital structure to firm value. So it can be concluded that the profitability variable is needed to mediate the existence of capital structure variables and firm value. Means H4 which states Profitability is able to mediate the influence of capital structure on the value of the company received.

4.2. Results of Hypothesis Analysis

Table 13: Results of Statistical Analysis (Path Analysis)

Variabel Eksogen	Variabel Endogen	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.	Explanation
		B	Std. Error				
DER	Nilai Perusahaan	0,819	0,182	0,460	4,514	0,000	Signifikan
DER	ROE	0,338	0,141	0,264	2,390	0,019	Signifikan
ROE	Nilai Perusahaan	0,362	0,142	0,260	2,548	0,013	Signifikan
Koefisien Determinasi (R2) Persamaan Regresi I = 0,211 Koefisien Determinasi (R2) Persamaan Regresi II= 0,274							

a) Hypothesis 1: Capital structure has a positive and significant effect on firm value.

Hypothesis 1 states that capital structure has a positive and significant effect on firm value. Capital structure is proxied by Debt to Equity Ratio (DER) and company value is proxied with PBV. The results of the Debt to Equity Ratio (DER) of firm value indicate a positive influence with unstandardized value of beta DER of 0.819 and significant at 0.000 (<0 , 05) which means that the higher the Debt to Equity Ratio (DER), the higher the value of the company in the Construction Company listed on the Indonesia Stock Exchange (IDX). This is reinforced with DER having t = 4.514 because tcount> t table is tcount = 4.514> t table = 1.99125 with a significant level of 0.000 which is below 0.05 which means that the DER variable has a positive and significant effect on firm value, so the hypothesis can be concluded 1 (H1) which states that the capital structure has a positive and significant effect on the value of the company received.

b) Hypothesis 2: Capital structure has a positive and significant effect on profitability.

Hypothesis 2 states that the capital structure has a positive and significant effect on profitability in the company. Capital structure is expressed by Debt to Equity Ratio (DER) and profitability is proxied by Return on Equity (ROE). The results of the Debt to Equity Ratio (DER) on Return on Equity (ROE) indicate a positive influence with unstandardized beta DER value of 0.338 and significant at 0.019 (<0.05) which means that the higher the Debt to Equity Ratio (DER) will increase the Return on Equity (ROE) of Construction Companies listed on the Indonesia Stock Exchange (IDX). This is reinforced by DER having t count = 2.390 because tcount> t table = 1.99125 which is t count = 2.390> t table = 1.99125 with a significant level of 0.019 which is below 0.05 which means that the DER variable has a positive and significant effect on ROE, so it can concluded hypothesis 2 (H2) which states that the capital structure has a positive and significant effect on profitability in the company received

c) Hypothesis 3: profitability has a positive and significant effect on firm value.

Hypothesis 3 states that the profitability proxied by Return on Equity (ROE) has a significant positive effect on firm value proxied by Price Book Value (PBV). The ROE test results on company values show a positive influence with unstandardized beta ROE value of 0.362 and significant at 0.013 (<0.05) which means that the higher ROE will increase the value of the company in Construction Companies listed on the Indonesia Stock Exchange (IDX). This is reinforced by ROE having tcount = 2.548 because tcount> t table is tcount = 2.548> t table = 1.99167 with a significant level of 0.013 which is below 0.05 which means that the ROE variable has a positive and significant effect on firm value, so the hypothesis can be concluded 3 (H3) which states that profitability has a significant and positive effect on the value of the company at the company received.

d) Hypothesis 4: Profitability is able to mediate the influence of capital structure on firm value.

The magnitude of the indirect effect of the Debt to equity (DER) variable on price book value (PBV) by mediating return on Equity (ROE) is obtained by multiplying the path coefficient (beta) between the direct effect of Debt to equity (DER) on return on Equity (ROE).) with the direct effect of return on Equity (ROE) on price book value (PBV) in Construction Companies listed on the Indonesia Stock Exchange (IDX). The amount of the Debt to equity (DER) coefficient on price book value (PBV) with mediation of Return On Equity (ROE) is equal to (0.338 x 0.362) = 0.122356. To see more clearly the mediation of indirect variables / influences, can be seen in the following table 14:

Table 14: Calculation of Mediation of Variables / Indirect Effects

Variable Influence	Calculation	Path Coefficient Value
(Direct Effect)		
DER (X) ->PBV(Y)	-	0.819
DER (X1) ->ROE (X2)	-	0,338
ROE (X2) ->PBV (Y)	-	0.362
(Indirect Effect)		
DER (X) ->ROE (X2) ->PBV (Y)	0,338 x 0,362	0,122356

The results of the calculation of indirect effects obtain a number of results of 0.122356. This number means the effect of capital structure on firm value through profitability of 0.122356. The effect of mediation indicated by the multiplication of coefficients indicated by the standardized beta value (p2 x p3) = (0.264 x 0.260) = 0.06864 so that the mediation effect is 0.06864. The results shown from the influence of the mediation do not reflect the level of significance, so they must be tested again with Sobel test to see whether or not the influence of the mediation is significant. The Sobel test resulted in a score of 0.0537464965. Based on the results of the Sobel test the t value of the statistic effect of mediation can be calculated. The results of the t-test statistic produce a value of 2,2765.

The value of tcount = 2.2765 is greater than the table with a significance level of 0.05, namely 1.99167, tcount> ttable, it can be concluded that the mediation coefficient is 0.122356 significant, which means there is an influence of mediation. capital structure of company value. So it can be concluded that the profitability variable is needed to mediate the existence of capital structure variables and firm value. Means H4 which states Profitability is able to mediate the influence of capital structure on the value of the company received.

4.3. The Result

1) Effect of Capital Structure on Company Values

The results of the Debt to Equity Ratio (DER) on the value of the company show a positive and significant effect on the value, which means that the higher the Debt to Equity Ratio (DER), the higher the value of the Construction Company listed on the Indonesia Stock Exchange (IDX). that investors consider construction companies on the Indonesia Stock Exchange to have good prospects as a place to invest. Debt issuance by the company gives the meaning that the company gets additional supervision from the lender (Gul & Tsui, 1998). Shareholders respond to this situation as "good news" that companies will operate better under supervision so that saha prices increase with the announcement of an increase in debt. In addition, the addition of debt can reduce free cash flow due to increased financial burden and debt installments so that managers will only issue more new debt if they believe the company can later fulfill its obligations (Jensen, 1986). Investors are expected to catch a signal that the company has good prospects. Thus an increase in debt in the capital structure provides a positive sign or signal to shareholders.

This is in line with Signal theory which explains that companies that increase debt can be seen as companies that are confident in the prospects of the company to come. Increased debt is also interpreted by outsiders about the company's ability to pay its obligations in the future or low business risks, so that the addition of debt will provide a positive signal (Brigham and Houston, 2001). In addition, an increase in debt can also increase the value of the company if it has not reached its optimal point, this is reinforced by the trade-off theory which explains that the use of debt can reduce the tax burden and company agency costs (Brigham & Houston, 2001). The results of this study are in line with the results of Tunnisa (2016) research which states that the capital structure has a positive and significant effect on firm value. The Masulis Research (1983) concluded that the capital structure has a positive effect on firm value significantly, the statement was reinforced by Chowdhury (2010) .

2) Effect of Capital Structure on Profitability

The results of the Debt to Equity Ratio (DER) on Return on Equity (ROE) indicate a significant positive effect, this means that the higher the Debt to Equity Ratio (DER) will increase the Return on Equity (ROE) of Construction Companies listed on the Exchange Securities Indonesia (IDX. This is in line with the Significance theory which explains that companies that increase debt can be seen as companies that are confident of future company prospects. Increased debt also means outsiders about the company's ability to pay its obligations in the future or low business risk , so that the addition of debt will provide a positive signal (Brigham and Houston, 2001). Likewise with trade-off-theory which states that the use of debt can reduce taxes and reduce agency costs that can lead to increased company profitability. Trade off-theory in the capital structure is balancing benefits and sacrifices that arise as a result if due to the use of debt, if it is used for greater benefits, then additional debt is no longer allowed. Increased profitability as a result of increasing the amount of debt of the company, because the benefits of the debt are still greater than the sacrifices issued by the company. The results of this study are in line with research Velnampy and Niresh (2012); and Christi et al (2013) which also states that the greater the use of debt in the capital structure, the greater the return on equity increases in the profitability of a company.

3) Effect of Profitability on Company Values

The results of the ROE test on firm value show a positive and significant effect. This means that the higher the ROE, the higher the value of the company in the Construction Company listed on the Indonesia Stock Exchange (IDX). This means that the higher the value of the profit obtained, the higher the value of the company. Because high profits will give an indication of good company prospects so that it can trigger investors to increase the demand for shares. Increasing demand for shares will cause the value of the company to increase. A high ROE level can also increase investor confidence in the company. This research is in accordance with the concept of signaling theory, where high profitability shows good corporate prospects so that investors will respond positively to the signal so that the value of the company will increase (Sujoko & Soebintoro, 2007). Based on Signaling theory, an increase in ROE causes an increase in demand for shares by investors, so that the value of the company increases. The results of this study are in line with Hermuningsih (2013) which states that profitability has a positive effect on firm value significantly. Hermuningsih's research (2013) is reinforced by Ben-Naceur and Goaied (2002), Ghosh (2008), and Chen (2011).

4) Effect of capital structure on firm value with profitability as an intervening variable

The results of the calculation of indirect effects obtain the results of the number of 0.122356 while the results of direct influence get a result of 0.819. This number means the effect of capital structure on firm value through profitability of 0.122356 while the direct effect of capital structure on firm value is 0.819. The results of the t-test statistic produce significant value, which means there is an influence of mediation. This shows that the profitability variable acts as an intermediary in the relationship of capital structure to firm value, while referring to the value of the calculation of direct influence and indirect influence find direct influence greater than indirect effect, the intervening variable is as partial intervening. The conclusion from the results of the study that the profitability variable is needed to mediate the existence of capital structure variables and firm value in construction companies on the Indonesia stock exchange 2012-2017.

The results of this study also state that debt that can increase a company's profitability will be able to exert more influence on company value because profitability is able to mediate the influence of capital structure on firm value, thus construction companies listed on the Indonesia Stock Exchange can increase the value of the company by increasing debt, where the increase in debt can also increase profitability which indirectly can increase the value of the company higher. Based on the trade-off theory, capital structure affects profitability, where an increase in debt can reduce the tax burden and agency costs so that net income becomes higher. signaling theory, if the ROE of the company experiences a positive response given by the investor on the condition that causes an increase in stock prices resulting in an increase in the value of the company.

The results of this study are in line with the results of the research from Al-Fisah (2016) which shows that profitability is able to mediate the effect of capital structure on firm value. This means that with the addition of profitability variables or the ability of the company to obtain profits affect the capital structure of the firm's value.

5. Conclutions and Sugestions

Based on the results of research on 13 construction companies listed on the Indonesia Stock Exchange, a number of things can be summarized as follows:

1) Capital structure affects the value of the company, which means that the higher the Debt to Equity Ratio (DER) will increase the value of the Company, this indicates that investors consider construction companies on the Indonesia Stock Exchange have good prospects as a place to invest
2) Capital structure has an effect on profitability, this means that the higher the Debt to Equity Ratio (DER) it will increase the Return on Equity (ROE). This is in line with Signal theory which explains that companies that increase debt can be seen as companies that are confident in the prospects of the company to come. Increased debt also means outsiders about the company's ability to pay its obligations in the future or low business risks, so that additional debt will provide a positive signal
3) Profitability affects company value. This means that the higher ROE will increase the value of the company. This means that the higher the value of the profit obtained, the higher the value of the company. Because high profits will give an indication of good company prospects so that it can trigger investors to increase the demand for shares. Increasing demand for shares will cause the value of the company to increase. A high ROE level can also increase investor confidence in the company.
4) Profitability is able to mediate the influence of Capital Structure on Corporate Value. This shows that debt can increase the profitability of the company, because it will be able to exert more influence on the value of the company because profitability is able to mediate the influence of capital structure on firm value, thus construction companies listed on the Indonesia Stock Exchange can increase company value by increasing debt, where increase in debt can also increase profitability which indirectly can increase the value of the company higher. Based on the trade-off theory, capital structure affects profitability, where the increase in debt can reduce the tax burden and agency costs so that net income becomes higher. Whereas according to the signaling theory, if the ROE of the company experiences a positive response increase given by the investor on the condition that causes an increase in stock prices resulting in an increase in the value of the company.

Suggestions

1) For investors, It is expected that the results of this study can provide information about the condition of the capital structure, Profitability and Company Value in construction companies listed on the Indonesia Stock Exchange from 2012 to 2017.
2) For Companies, It is expected that the results of this study can help companies in considering better decision making in reaching the optimal point at the debt level.
3) For the next researcher, it can be used as a reference when conducting research on the capital structure of firm value with profitability as an intervening variable and is expected to improve deficiencies and limitations in this study.

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