

The Moderating Role of Firm Size in The Effect of Capital Structure On Firm Value: An Empirical Study of the Construction Subsector Listed On the Indonesia Stock Exchange

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ABSTRACT: This study aims to analysis the moderating role of firm size on the effect of capital structure on firm value in the construction subsector listed on the Indonesia Stock Exchange during the 2019–2023 period. This study employs a causal research design. The population consists of companies in the construction subsector listed on the Indonesia Stock Exchange between 2019 and 2023. The research sample consists of 17 companies selected using purposive sampling, a type of non-probability sampling. The independent variable in this study is capital structure, proxied by the Debt-to-Equity Ratio (DER); the dependent variable is firm value, proxied by stock price; and the moderating variable is firm size, measured using the natural logarithm of total sales. The results indicate that capital structure does not have a significant effect on firm value. Firm size was found to moderate the effect of capital structure on firm value. These findings suggest that firm size, as indicated by sales volume, can enhance firm value. Furthermore, firm size when supported by an optimal financing mix can boost investor confidence, thereby increasing firm value.

KEYWORDS: Capital Structure, Stock Price, Firm Size, Firm Value

I. INTRODUCTION

A company's value reflects the level of public trust in that company, which is shaped by all of its activities and performance since its inception. According to Berliana & Martini (2024), corporate value is a crucial aspect because it serves as the primary benchmark for investors when making investment decisions. This aligns with the findings of Evelyne et al. (2024) and Ali et al. (2021), who state that corporate value reflects the quality of a company's performance and forms the basis for investment analysis and evaluation. Corporate value is closely linked to stock prices. Meha & Hariadi (2021) explain that fluctuations in corporate value align with stock price movements in the capital market. Stock prices themselves are influenced by supply and demand mechanisms. When demand increases, stock prices rise, and vice versa. Nafis et al. (2023) add that high demand for stocks is usually driven by strong corporate performance, as investors tend to analyze financial statements before investing. Therefore, financial performance is a key factor that can be measured through financial ratios, including solvency ratios and firm size.

The construction sector in Indonesia is one of the sectors attracting investor interest, primarily due to the government's focus on infrastructure development. Projects such as toll roads, ports, airports, and other transportation infrastructure offer promising prospects. Construction companies listed on the Indonesia Stock Exchange play a crucial role, as they not only serve as the implementers of physical construction but also as economic drivers, major employers, and key indicators in the capital market. Advantages in access to financing, transparency, and involvement in strategic projects make this sector highly relevant in financial analysis and academic research, particularly regarding corporate value. However, in recent years, the construction sector has faced a very serious problem. The sector has experienced a decline in stock prices even though access to external financing particularly from creditors—has strengthened, as reflected in the upward trend of the debt-to-equity ratio (DER). This decline is attributed, among other things, to numerous factors hindering construction projects, as well as internal and external issues at several state-owned construction companies that have eroded investor confidence.

Capital structure is one of the key indicators in assessing a company's financial performance. Sihombing et al. (2023) state that capital structure influences a company's value because it reflects the level of risk it faces. A high debt ratio can increase risk and interest expenses, which can ultimately reduce the company's profitability. This situation may cause investors to be reluctant to invest or even to sell their shares. From a theoretical perspective, the relationship between capital structure and firm value can be

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explained through the Trade-Off Theory. This theory posits that a company must balance the benefits of using debt—such as tax savings against its risks, such as the potential for bankruptcy. A high debt ratio can increase interest expenses and squeeze profits, thereby potentially reducing the company's value. However, if debt is managed efficiently and used to enhance profitability, these negative effects can be minimized. Additionally, signaling theory explains that changes in the debt ratio can be interpreted differently by investors. A decrease in the debt ratio is not always a positive signal, as it may reflect reduced expansion or limited business opportunities. Therefore, investors look not only at the amount of debt but also at how the company utilizes its resources to generate growth.

Previous research has yielded mixed results. Mustafa & Fachmi (2021) and Saputra et al. (2021) found that capital structure has a positive and significant effect on firm value, meaning that an increase in debt if used productively can enhance firm value. Similar results were also found by Berliana & Martini (2024). Contrasting results were reported by Oktaviani et al. (2019) and Nurastryana (2021), whose studies demonstrated that capital structure does not affect firm value. These findings are supported by Mahanani & Kartika (2022) and Desipradani & Sa'diyah (2024), who demonstrated that changes in the debt ratio do not always influence investor decisions.

Based on this explanation, it is clear that there are still inconsistencies in research findings regarding the effect of capital structure on firm value. This suggests that the two variables do not appear to be directly linked. Firm size is one variable that can either strengthen or weaken the effect of capital structure on firm value. (Amelia et al., 2024), In their research, they demonstrated that firm size can amplify the impact of capital structure on firm value. (Setyarini et al., 2023) In their study, they demonstrated that firm size can moderate the effect of capital structure on firm value.

Research on the relationship between capital structure and firm value continues to yield inconsistent results. Furthermore, while previous researchers have included firm size as a moderating variable, existing studies have not definitively determined the nature of this moderation—whether it is pure or quasi-moderation. Furthermore, existing studies remain very limited in their use of the construction sector listed on the Indonesia Stock Exchange. This study aims to re-examine the moderating role of firm size on the effect of capital structure on firm value by clearly determining the form of moderation—whether it is pure moderation or quasi-moderation. The empirical analysis was conducted in the construction sector listed on the Indonesia Stock Exchange. This study aims to examine the effect of capital structure on firm value. It also examines the moderating role of firm size on the effect of firm size on firm value.

II. LITERATURE REVIEW AND HYPOTHESIS

A. Literature Review

Trade-Off Theory

The trade-off theory is an extension of the Modigliani and Miller (1963) theory, which explains that companies balance the benefits and risks of using debt. This theory states that companies benefit from using debt through a “tax shield” that is, tax savings resulting from interest expenses, which reduce Earnings Before Interest and Taxes (EBIT). This makes debt financing more advantageous than equity financing, as it avoids the need to dilute ownership of the company (Brigham & Houston, 2009). However, an increase in debt does not always have a positive impact. There is an optimal point in the capital structure where the tax benefits of debt still outweigh the costs incurred. If a company exceeds that optimal point, the costs of financial distress—such as the risk of bankruptcy will increase. As a result, the company's value and stock price will actually decline gradually.

Signal Theory

Signal theory explains how companies convey information to investors to reduce information asymmetry between management and the market. According to Brigham & Houston (2009), signal refers to a company's actions in providing clues about its future prospects. Information conveyed through financial statements, dividend policies, and financing decisions is important because it reflects the company's past, present, and future conditions. Spence (1973) explains that the party with better information will send signals to demonstrate its quality. In this context, management has more complete information than investors. Furthermore, Ross (1977) states that capital structure particularly the use of debt can serve as a signal of a company's quality. Companies with favorable prospects tend to be willing to take on higher levels of debt as a sign of confidence in their ability to generate future cash flows.

Company Value

Corporate value reflects public confidence and investor perceptions of a company's success, which are often linked to stock prices (Berliana & Martini, 2024). Husnan (2012) states that corporate value is the price a potential buyer is willing to pay and reflects the market value of equity and debt. The higher the stock price, the higher the firm's value, indicating good performance and prospects. In this study, firm value is measured using the closing stock price because it directly reflects the market's reaction. Several factors influence a company's value, including dividend policy, profitability, capital structure, company size, managerial ownership, and business risk. Dividend policy and profitability boost investor confidence, while an optimal capital structure can

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maximize a company's value (Brigham & Houston, 2009; Ross et al., 2013). Additionally, company size, managerial ownership, and risk management also play a role in increasing a company's value (Jensen & Meckling, 1976).

Capital Structure

Capital structure refers to the composition of a company's funding sources, consisting of long-term debt and equity, which are used to finance operational and investment activities. According to Brigham & Houston (2009), capital structure consists of long-term debt, preferred stock, and retained earnings, while Ross et al. (2013) define it as a mix of a company's funding sources. Determining the capital structure is crucial because it affects a company's risk and value. The use of debt provides benefits in the form of a tax shield, but it also increases financial risk. Capital structure is influenced by various factors such as income stability, asset structure, business risk, market conditions, and company size (Brigham & Houston, 2009). There are several theoretical approaches, namely the traditional approach, the Modigliani and Miller approach, and the Pecking Order Theory, which emphasizes a hierarchy of financing. In this study, capital structure is measured using the Debt-to-Equity Ratio (DER), which indicates the ratio of debt to equity (Kasmir, 2014).

Company Size

Company size is a measure used to classify companies by size, which can be determined by total assets, total sales, or market value. This measure reflects a company's ability to manage its resources and carry out its operational activities. According to Brigham & Houston (2009), companies with high sales generally have a larger scale of operations and more stable revenue compared to small companies, which tend to face higher risks. In this study, firm size is proxied using the natural logarithm of total sales (Ln total sales). Total sales were chosen because they reflect a firm's operational capacity, competitiveness, and market share. The use of logarithms aims to normalize the data, reduce the influence of outliers, and minimize differences in scale across firms, thereby making the analysis more accurate.

B. Hypothesis

The Effect of Capital Structure on Firm Value

According to trade-off theory, firms tend to choose external financing in the form of debt because it provides a tax shield, thereby lowering costs. The use of debt can also serve as a positive signal to investors regarding the firm's prospects (Berliana & Martini, 2024). In line with signal theory, an increase in debt reflects management's confidence in the firm's ability to generate future cash flows. Various studies, such as those by Saputra et al. (2021), Mustafa & Fachmi (2021), and Pebrianti et al. (2024), show that capital structure has a positive effect on firm value. As long as debt is managed effectively, increased leverage can boost investor confidence and firm value (Hadi & Budiman, 2023; Nugraha et al., 2021; Fallah et al., 2020). Based on these explanations, Hypothesis 1 is formulated as follows:

H1: Profitability has a significant effect on firm value.

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Company size reflects a firm's level of development and its ability to manage investments, which influences investor confidence and firm value. Larger firms tend to have easier access to financing, including debt, and are perceived to have better financial management. This can increase firm value by attracting more investors (Rachmadevi et al., 2023; Ayem & Tamu Ina, 2023). Company size also acts as a moderating variable in the relationship between capital structure and firm value. Large firms can either strengthen or weaken the proportion of their capital structure, depending on how they manage their debt (Amelia et al., 2024; Setyarini et al., 2023). The use of debt in large firms can serve as either a positive or negative signal to investors. The effectiveness of capital structure management is a key determinant of how firm size influences firm value (Fahri et al., 2022). Based on these explanations, Hypothesis 2 is formulated as follows:

H2: Firm size moderates the effect of capital structure on firm value

III. RESEARCH METHODOLOGY

Population and Sample Data

The population of this study consists of 29 companies in the construction subsector listed on the Indonesia Stock Exchange from 2019 to 2023. The study sample comprises 17 companies selected using purposive sampling. Observational data were collected by creating a panel data series consisting of 17 companies listed on the Indonesia Stock Exchange in the building construction subsector for the period from 2019 to 2023, resulting in a total of 85 data observations in accordance with the specified sampling criteria. The collection of these observational data was conducted through documentary research.

Operational Variables

In this study, firm value—as the dependent variable—is measured using the stock price, which is the price determined by supply and demand in the stock market and is typically the closing price. The stock price is proxied by the natural logarithm of the closing price, or LnClosing Price, (Seventeen & Shinta, 2021). The independent variable used is capital structure, proxied by the Debt-to-Equity Ratio (DER), which indicates the proportion of debt, the level of leverage, and corporate risk (Sutrisno, 2016). Meanwhile,

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the moderating variable is firm size, proxied by the natural logarithm of total sales (LnSales). Total sales were chosen because they reflect operational activity and market response, and the logarithm helps normalize the data and reduce scale differences across firms, (Dwiastuti & Dillak, 2019).

Data Analysis

Descriptive statistical analysis was used to obtain an overview of the data sample. Descriptive statistics provide an overview or description of data based on the mean, standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness (distribution asymmetry). Next, for model selection, three main models were used: the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM). The selection of the best model is conducted through three tests: the Chow test to choose between CEM and FEM, the Hausman test to choose between FEM and REM, and the Lagrange Multiplier (LM) test to compare CEM and REM. The decision is based on probability values or Chi-Square test results, ensuring that the chosen model aligns with the data's characteristics.

The next step is to test the classical assumptions, which aims to ensure that the panel regression model used meets the statistical requirements so that it produces valid and unbiased estimates. There are four main tests: normality, multicollinearity, heteroscedasticity, and autocorrelation. The normality test is conducted to ensure that the residuals are normally distributed. The Shapiro–Wilk test (Shapiro & Wilk, 1965) is used because it is sensitive to small samples. If the p-value is greater than 0.05, the residuals are considered normally distributed. Next, the multicollinearity test aims to detect high correlations among the independent variables. According to Gujarati & Porter (2009), this condition— —can lead to unstable estimates. The test was conducted using the Tolerance and VIF values, with criteria of Tolerance > 0.10 and VIF < 10 (Hair et al., 2019). The heteroscedasticity test aims to determine whether the residual variance is constant. Unequal variances can lead to inefficient estimates (Gujarati & Porter, 2009). The tests were adapted to the panel model, specifically the Modified Wald Test for FEM and the Breusch–Pagan LM Test for REM (Wooldridge, 2013). If heteroscedasticity is detected, robust standard errors are used. Finally, an autocorrelation test was conducted using the Wooldridge Test to detect intertemporal relationships among errors (Wooldridge, 2013). If autocorrelation is present, it is addressed by using robust standard errors to ensure the validity of the estimation results.

The next analysis is a hypothesis test, consisting of a partial hypothesis test and a moderated regression analysis (MRA). The partial hypothesis test aims to examine the direct relationship between the model structure and firm value. Meanwhile, the moderating test is used to determine whether the moderating variable can strengthen or weaken the relationship between the independent and dependent variables (Ghozali, 2016: 219). The regression equation is as follows:

$$\text{LnHS} = b_0 + b_1\text{DER} \dots (1)$$

$$\text{LnHS} = b_0 + b_1\text{DER} + b_2\text{LnSales} + b_3\text{LnSales}*\text{DER} + e \dots (2)$$

IV. RESULTS AND DISCUSSION

Descriptive Statistical Analysis

The results of the descriptive statistical analysis for each variable capital structure, firm size, and firm value are shown in the data processed using SPSS as follows:

Table 1. Results of Descriptive Statistical Tests

Variable	Obs	Mean	Std. Dev.	Min	Max
LnHS	85	5.705294	1.075652	2.2	7.6
DER	85	2.163647	3.981916	.3	35.47
Lnsales	85	14.63482	1.838171	6.75	17.26

Source: Data compiled

The descriptive statistics show that the LnHS variable has a mean of 5.705 with a standard deviation of 1.075, indicating that the variation in firm values is relatively moderate and tends to be stable. The DER variable has a mean of 2.163 and a standard deviation of 3.981, indicating a highly variable level of leverage ranging from low to very high debt usage which reflects differences in corporate financing strategies. Meanwhile, the Lnsales variable has a mean of 14.634 with a standard deviation of 1.838, indicating that company size is relatively homogeneous. This suggests that most companies have a large and stable scale of operations, consistent with the characteristics of the construction industry, which requires capital and long-term project management.

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Model Selection Tests

Model selection tests examining the effect of capital structure on firm value were conducted using the Chow test, the Hausman test, and the LM test; the results are presented in the following table:

Table 2. Model Selection Tests Using the Chow Test, the Hausman Test, and the LM Test

Model Test	p-Value	Model	Selected Model
Chow Test	0.0000	FEM	FEM
Hausman Test	0.0370	FEM	
LM Test	0.0000	REM	

The results of the Chow and Hausman tests indicate that the best model is the Fixed Effects Model (FEM), while the Lagrange Multiplier test supports the Random Effects Model (REM). Since the majority of tests favor the FEM, the Fixed Effects Model is used.

The results of the model selection test examining the effect of capital structure on firm value, moderated by firm size, are presented in the following table:

Table 3. Model Selection Tests Using Chow Test, Hausman Test, and LM Test

Model Test	p-Value	Model	Selected Model
Chow Test	0.0000	FEM	REM
Hausman Test	0.1476	REM	
LM Test	0.0000	REM	

The results of the Chow test indicate an FEM, while the Hausman and Lagrange Multiplier tests indicate an REM. Since the majority of the test results support the REM, the most appropriate model to use in this study is the Random Effects Model (REM).

Classical Assumption Tests

1. Normality Test

Table 4. Normality Test of the Effect of Capital Structure on Firm Value

Shapiro-Wilk W test for normal data					
Variable	Obs	W	V	z	Prob>z
res1	66	0.97965	1.194	0.385	0.35021

The Shapiro-Wilk test results show a probability value of $0.35021 > 0.05$, so H_0 is accepted. This means that the residuals are normally distributed and the regression model meets the normality assumption, making it suitable for further analysis.

Table 5. Normality Test of the Effect of DER on Stock Price Moderated by Firm Size

Shapiro-Wilk W test for normal data					
Variable	Obs	W	V	z	Prob>z
res5	66	0.97683	1.360	0.666	0.25270

The results of the Shapiro-Wilk test show a p-value of $0.25270 > 0.05$, so H_0 is accepted. This means that the residuals are normally distributed and the regression model satisfies the assumption of normality, so it can be used for further analysis.

2. Multicollinearity Test

Table 6. Multicollinearity Test of the Effect of Capital Structure on Firm Value

. vif		
Variable	VIF	1/VIF
der	1.00	1.000000
Mean VIF	1.00	

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A VIF value of 1.00 indicates the absence of multicollinearity among the independent variables. The tolerance value is also 1.00 (>0.10), so it can be concluded that the model is free from multicollinearity issues and is suitable for use.

Table 7. Multicollinearity Test of the Effect of DER on Stock Price Moderated by Firm Size

```
. vif
```

Variable	VIF	1/VIF
c_der	2.32	0.430483
c_lnsales	2.00	0.500046
derxlnsale~c	1.23	0.809987
Mean VIF	1.85	

The VIF values for all variables are below 10 (maximum 2.32) and the tolerance is > 0.10. This indicates that there is no multicollinearity, so the relationships among the independent variables are still acceptable in the regression model.

3. Heteroscedasticity Test

Table 8. Heteroscedasticity Test of the Effect of Capital Structure on Firm Value

```
Modified Wald test for groupwise heteroskedasticity
in fixed effect regression model

H0: sigma(i)^2 = sigma^2 for all i

chi2 (16) =      24336.04
Prob > chi2 =      0.0000
```

The test results show that the Prob > chi2 value is 0.0000 < 0.05, so H0 is rejected. This means there is a problem of heteroscedasticity in the Fixed Effects model. The error variance is not constant across individuals, so measures such as the use of robust standard errors are necessary.

Table 9. Heteroscedasticity Test of the Effect of DER on Stock Price, Moderated by Firm Size

Breusch and Pagan Lagrangian multiplier test for random effects

```
lnharga_saham[id_perusahaan,t] = Xb + u[id_perusahaan] + e[id_perusahaan,t]

Estimated results:
-----+-----+-----
          |          Var          | SD = sqrt(Var)
-----+-----+-----
lnharga~m |          .945097      |          .972161
e          |          .2360403     |          .4858398
u          |          .2985267     |          .546376

Test: Var(u) = 0
          |          chibar2(01) =          32.55
          |          Prob > chibar2 =          0.0000
```

The Prob value > chi-squared is 0.0000 < 0.05, so H0 is rejected. This means there is a problem of heteroscedasticity in the Random Effects model. Nevertheless, this issue is addressed by using the robust standard error estimation method in the subsequent panel regression analysis to ensure that the regression coefficients remain efficient and the inferences remain valid (Baltagi, 2005).

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4. Autocorrelation Test

Table 10. Autocorrelation Test of the Effect of Capital Structure on Firm Value

```
. xtserial lnharga_saham der

Wooldridge test for autocorrelation in panel data
H0: no first-order autocorrelation
      F( 1,      11) =      17.662
      Prob > F =      0.0015
```

The results of the Wooldridge test show a Prob > F value of 0.0015 < 0.05, so H0 is rejected. This means there is autocorrelation in the model. This indicates a correlation of errors across time, necessitating measures such as the use of robust standard errors.

Table 11. Autocorrelation Test of the Effect of DER on Stock Price, Moderated by Firm Size

```
. xtserial lnharga_saham c_der c_lnsales derxlnsales_c

Wooldridge test for autocorrelation in panel data
H0: no first-order autocorrelation
      F( 1,      11) =      10.061
      Prob > F =      0.0089
```

The Prob > F value of 0.0089 < 0.05 also leads to the rejection of H0. This means that the model exhibits autocorrelation. Although a moderating variable has been added, the autocorrelation issue persists, so a correction is needed to ensure the estimates remain valid.

Multivariate Regression Test Equations

Based on Table 12 and Table 13, the following regression equations are obtained:

1. Multiple Linear Regression

The regression equation based on the results of the multiple linear regression test in the table above is as follows:

$$\text{LnHS} = 6.037 - 0.141\text{DER} \dots\dots\dots (1)$$

$$\text{LnHS} = 5.550 - 0.142\text{DER} + 0.350\text{LnSales} + 0.430\text{LnSales}*\text{DER} + e \dots\dots\dots (2)$$

Table 12. Results of the Multiple Linear Regression Test

```
. xtreg lnharga_saham der, fe vce(cluster id_perusahaan)
```

Fixed-effects (within) regression	Number of obs	=	66
Group variable: id_perusahaan	Number of groups	=	16
R-squared:	Obs per group:		
Within = 0.0045	min =		1
Between = 0.3561	avg =		4.1
Overall = 0.2084	max =		5
corr(u_i, Xb) = -0.5991	F(1,15)	=	0.11
	Prob > F	=	0.7491

(Std. err. adjusted for 16 clusters in id_perusahaan)

lnharga_saham	Coefficient	Robust std. err.	t	P> t	[95% conf. interval]
der	-.1412358	.4336213	-0.33	0.749	-1.065478 .7830062
_cons	6.036781	.5771763	10.46	0.000	4.806559 7.267003

In the multivariate regression equation (1), the constant term of 6.037 represents the stock price (LnHS) when the debt-to-equity ratio (DER) is zero or very low. Meanwhile, the coefficient for DER, -0.141, indicates that a 1% change in DER results in an opposite-direction change in LnHS of 0.141%.

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Table 13. Results of the Moderated Regression Analysis (MRA)

```
. xtreg lnharga_saham c_der c_lnsales derxlnsales_c , re vce(robust)
```

Random-effects GLS regression	Number of obs	=	66
Group variable: id_perusahaan	Number of groups	=	16
R-squared:	Obs per group:		
Within = 0.1446	min =		1
Between = 0.6221	avg =		4.1
Overall = 0.4333	max =		5
corr(u_i, X) = 0 (assumed)	Wald chi2(3)	=	35.07
	Prob > chi2	=	0.0000

(Std. err. adjusted for 16 clusters in id_perusahaan)

lnharga_saham	Coefficient	Robust std. err.	z	P> z	[95% conf. interval]
c_der	-.14206	.2562659	-0.55	0.579	-.644332 .3602119
c_lnsales	.3496315	.1205345	2.90	0.004	.1133883 .5858747
derxlnsales_c	.4298724	.1074986	4.00	0.000	.219179 .6405657
_cons	5.549808	.1964324	28.25	0.000	5.164808 5.934809

In the multivariate regression equation (1), the constant term of 5.550 indicates the value of LnHS when the debt-to-equity ratio (DER) and LnSales are zero or very low. Meanwhile, the coefficient for DER of -0.14 indicates that a 1% change in DER causes a 0.142% change in LnHS in the opposite direction. The coefficient for LnSales of 0.350 indicates that a 1% change in LnSales results in a 0.350% change in LnHS. Meanwhile, the coefficient for LnSales*DER of 0.430 indicates that a 1% change in LnSales*DER results in a 0.430% change in PBV.

Hypothesis Testing

1. Partial Test

Based on the partial tests, the results of the multiple linear regression analysis in the table above show that the DER has a coefficient of -0.14 and a significance level of $0.749 > 0.05$. It can therefore be concluded that the capital structure, as proxied by the DER, does not have a significant effect on firm value, as proxied by LnHS. This finding does not support the hypothesis and contradicts Signaling Theory and Trade-Off Theory, which state that an increase in debt can enhance firm value if managed optimally.

These research findings differ from the proposed hypothesis. The results also differ from previous studies by Berliana & Martini (2024) and Saputra et al. (2021), which found that the use of debt can increase firm value because it reflects confidence in future prospects. However, the results of this study are consistent with those of Desipradani & Sa'diyah (2024) and Siti Fatimah (2022), who found that capital structure does not have a significant effect on firm value. This indicates that investors do not consider capital structure to be a primary factor in evaluating a firm. Investors place greater emphasis on a company's ability to manage debt and generate profits. Although the construction sector requires substantial financing, an increase in debt has not been able to boost investor confidence; consequently, changes in the debt-to-equity ratio (DER) do not have a strong enough impact on stock prices.

2. Moderation Test

Based on the LnSales moderation test, the results of the MRA (Moderated Regression Analysis) regression test show a coefficient of 0.34 with a significance value of $0.004 < 0.05$, meaning that the exchange rate has a positive and significant effect on company value. In the interaction between DER and LnSales in the regression test results, the coefficient was found to be 0.429 with a significance level of $0.000 < 0.05$, meaning that LnSales is able to moderate DER (Debt to Equity Ratio). The resulting form of moderation is quasi-moderation, because LnSales is significant when directly linked to LnHS. Furthermore, the interaction between LnSales and DER (LnSales*DER) is also significant when related to LnHS.

The research results are consistent with the proposed hypothesis. These findings align with Signaling Theory, which posits that large firms are perceived to have better reputations and capabilities, so the use of debt sends a positive signal to investors. Furthermore, in line with Trade-Off Theory, large firms tend to have a lower risk of bankruptcy and are able to make optimal use of debt, including the benefits of a tax shield. These results are also consistent with the studies by Rachmadevi et al. (2023) and Ayem & Tamu Ina (2023), which state that firm size amplifies the effect of capital structure on firm value. Overall, large firms are considered more capable of managing debt effectively, so debt is viewed as a reasonable financing strategy that has the potential to increase investor confidence.

The results of this study indicate that firm size (LnSales) moderates the effect of capital structure on firm value. The form of moderation identified in this study is quasi-moderation. These results suggest that firm size, as measured by LnSales, enhances

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firm value by increasing investor confidence in the quality of the firm's sales performance. The firm's sales performance also reinforces the optimal capital structure, thereby driving an increase in firm value.

V. CONCLUSIONS AND RESEARCH LIMITATIONS

The results of this study indicate that capital structure, as measured by the debt-to-equity ratio (DER), has a negative but insignificant effect on the natural logarithm of stock price (LnHS). The results also show that firm size (LnSales) moderates the effect of capital structure on firm value. The form of moderation found in this study is quasi-moderation. This study has limitations: first, the results cannot be generalized to other sectors on the Indonesia Stock Exchange. Second, only one proxy was used for each observed variable, so the potential for a robust test (consistency of test significance) using other proxies remains unknown. Future research should expand the population and sample to include more than one sector. Furthermore, it should examine other proxies to determine the level of robustness of the test results.

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