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Research Article

Impact of Investment Decisions, Capital Structure, and Firm Size on Profitability and Sustainable Growth, Moderated by Financial Flexibility in Construction Firms

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Abstract: This study aims to analyze the effect of investment decisions, capital structure, company size on profitability and Sustainable Growth, with profitability as a mediating variable and Financial Flexibility as a moderating variable. Data is obtained from secondary sources, namely audited financial reports from heavy construction and civil engineering subsector companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. The analysis was carried out using Structural Equation Modeling based on Partial Least Squares (SEM-PLS). The results showed that investment decisions, capital structure, and company size have a significant effect on profitability. However, only company size has a significant effect on Sustainable Growth. Investment decisions and capital structure have no significant effect on Sustainable Growth. Profitability also has an insignificant effect on Sustainable Growth and does not mediate the relationship between variables. In addition, financial flexibility does not moderate the relationship between profitability and sustainable growth. This finding indicates that increased profitability is more influenced by investment strategy, capital structure, and firm scale, but does not necessarily translate directly into Sustainable Growth.

Keywords: Capital Structure; Financial Flexibility; Firm Size; Investment Decisions; Profitability; Sustainable Growth.

1. Introduction

The construction industry is a crucial element in the global economic system because it provides basic infrastructure that is the main support for the growth of various sectors. The existence of quality infrastructure encourages economic activity, increases competitiveness, and supports sustainable development. In Indonesia, the strategic role of the construction industry is further strengthened through the Master Plan for the Acceleration and Expansion of Indonesian Economic Development (MP3EI), which is regulated in Peraturan Presiden Nomor 32 Tahun 2011 (Presidential Regulation No. 32 of 2011) and updated with Peraturan Presiden Nomor 48 Tahun 2014 (Presidential Regulation No. 48 of 2014) as a national policy foundation to accelerate infrastructure development and drive economic growth.

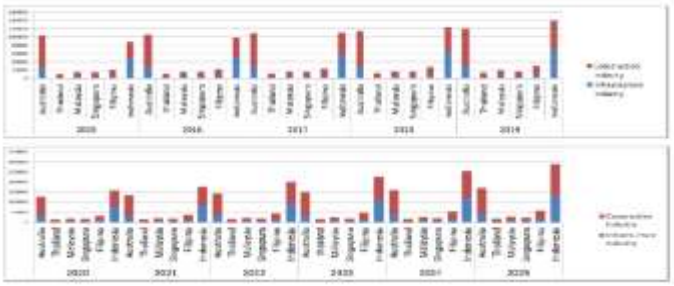

Figure 1. Construction market growth

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Source: Kesai et al., 2018

Figure 1 shows that Indonesia's construction market is growing much faster than neighboring countries such as Malaysia, Thailand, and Vietnam. This is in line with the implementation of MP3EI, which targets massive infrastructure development until 2025, supported by government policies and increased foreign investment. The projection shows the construction sector as one of the main drivers of national economic growth as well as a pillar of sustainable development (Kesai et al., 2018).

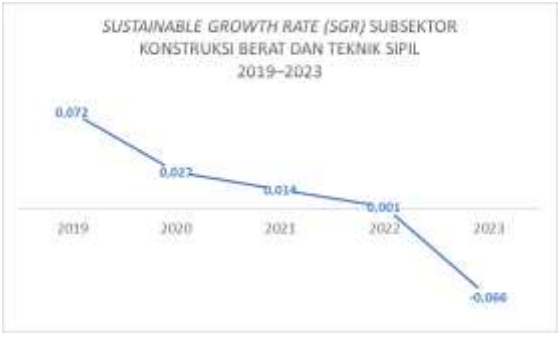

Figure 2. Downward Trend of Sustainable Growth Rate in Heavy Construction and Civil Engineering Sub-Sector Companies listed on the Indonesia Stock Exchange

Source: Data processed by researchers, 2025

Although the construction market is experiencing significant growth, there is a phenomenon of decreasing Sustainable Growth Rate (SGR) trends in the Heavy Construction and Civil Engineering Subsectors listed on the Indonesia Stock Exchange (IDX). Figure 2 shows that the SGR declined from 0.072 in 2019 to -0.066 in 2023, indicating a decline in the company's ability to maintain sustainable growth. This decline reflects limitations in internal financing, which has the potential to hinder business expansion, reduce operational efficiency, and increase dependence on external funding sources that have higher risks. This finding is in line with the research results of Hakiki and Yustiana (2025), which state that internal financing limitations can limit the company's growth capacity and encourage the need for external funding with greater risk consequences.

Sustainable growth is the maximum growth rate that a company can achieve using internal financing without changing the capital structure (Higgins, 1977). This concept emphasizes the importance of a balance between profitability, operational efficiency, and prudent financial policies. Sustainable growth is not just a matter of business expansion, but also maintaining long-term financial stability. Arellano and Higgins (2007) emphasize the need to pay attention to operating costs and depreciation in growth planning so as not to disrupt financial health. Altahtamouni (2021) adds that efficient use of resources is key in supporting stable growth and resilience to financial pressures.

A company that achieves sustainable growth is one that is able to grow consistently while maintaining a healthy financial structure. This concept is an important basis in long-term financial strategy to ensure business sustainability. Previous research, such as Aqila and Prasetiono (2021), shows that asset efficiency and short-term debt have a positive effect on sustainable growth. Citrahartani (2023) also found that intangible assets and financial flexibility have a significant influence, while Rachmawati (2024) showed that green innovation has a negative impact. The increasing attention to this issue is reflected in the trend of bibliometric research highlighting key variables in supporting sustainable growth, particularly in the construction industry.

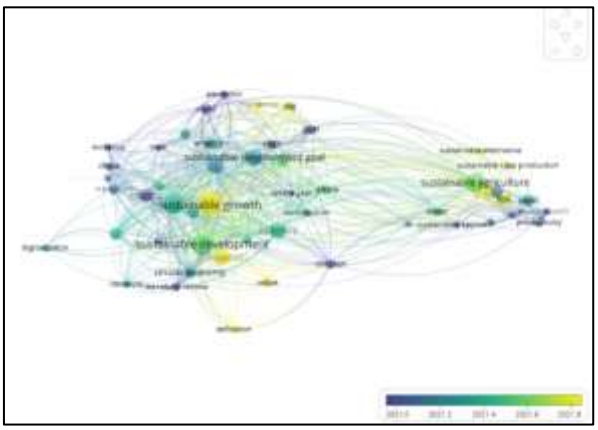

Figure 3. Bibliometric Analysis of Research Literature "Sustainable Growth"
Source: VOSviewer processed data, 2025

Based on analysis using VOSviewer software and metadata from Publish or Perish with the keyword Sustainable Growth as shown in Figure 3, the relationship between keywords in the literature is interrelated and often appears together. It can be seen that Sustainable Growth occupies a central position in the network and is closely connected to a number of other terms such as sustainable development, sustainable development goals, circular economy, and sustainable agriculture. These linkages illustrate that sustainable growth is a key concept that is part of a multidisciplinary discussion covering environmental, economic and development policy aspects.

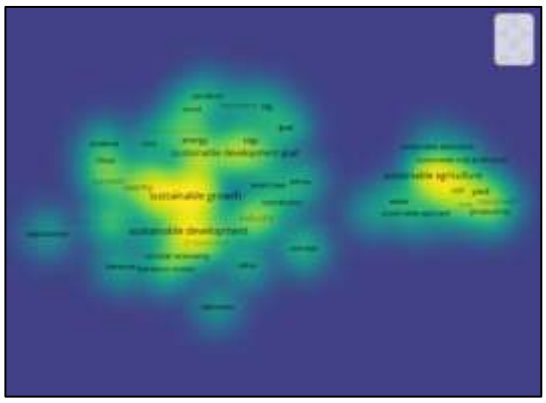

Figure 4. Keyword Density Map "Sustainable Growth"
Source: VOSviewer processed data, 2025

Meanwhile, Figure 4 displays a density map of the same keywords, illustrating the intensity of research focus in the scientific literature. The light colors in the density map, especially around the terms Sustainable Growth, Sustainable Development, and Sustainable Agriculture, indicate that these topics are one of the main centers of attention in academic studies. Darker areas indicate lower frequency, while lighter areas reflect a high volume of publications. This indicates that although Sustainable Growth has been widely discussed, there is still room for further exploration, especially regarding the relationship between investment decisions, capital structure, and firm size on profitability and sustainable growth.

On the other hand, construction companies listed on the Indonesia Stock Exchange (IDX) face pressure to maintain healthy financial performance in the eyes of investors and regulators. The evaluation guidelines from the Ministry of SOEs through KEP-100/MBU/2022, although aimed at SOEs, are also an important reference for other public companies. Intense tender competition, fluctuating material prices, and reliance on government projects reinforce the need for efficient internal management. Under these conditions, strategic decision-making becomes even more crucial. Factors such as investment decisions, capital structure, and company size need to be carefully managed to maintain competitiveness and sustainability.

Investment decisions play an important role in determining the direction of business expansion and the potential for future value creation. Capital structure reflects the balance between debt and equity funding, which has a direct impact on the company's financial risk and burden. In addition, company size also affects operational efficiency, access to financing sources, and the ability to withstand market dynamics. These three aspects have a close relationship with the level of profitability, which ultimately becomes the main foundation for the company's long-term growth.

Investment decisions are crucial factors that determine the direction of business development and future value creation. In the capital-intensive construction industry, proper allocation of funds to productive assets can improve operational efficiency and strengthen competitiveness (Brigham, 2018). Santoso's (2019) research shows that the right investment decision provides a high rate of return and is a positive signal for investors. Kurniawan and Mawardi (2017) also found that investment decisions have a significant effect on firm value. However, there are still few studies that specifically examine the impact of investment decisions on profitability and Sustainable Growth of construction companies in Indonesia.

Capital structure reflects the company's strategy in choosing between debt or equity funding. An optimal capital structure can reduce the cost of capital, maintain financial stability, and increase profitability (Modigliani & Miller, 1958). In the construction industry, which faces cash flow fluctuations, the right capital structure helps maintain project continuity and reduce liquidity pressures. Rahman and Setiawan's (2021) research shows that a balance of debt and equity can increase profitability, while Wahyanantri and Suryono (2022) emphasize the significant influence of profitability, liquidity, and firm size on capital structure. Therefore, capital structure is not only a technical matter of funding, but an important strategy in supporting the stability and sustainable growth of the company.

Firm size is also an important determinant of construction industry performance. Large-scale firms generally have higher operational efficiency, stronger bargaining power, and wider access to financing sources (Beaver, 1968). This gives them an advantage in undertaking large-scale projects and strengthening their market position. On the other hand, small firms tend to be more flexible and adaptive, but face resource and capital constraints. Research by Hermanto and Dewinta (2023) and Putri et al. (2024) show that company size has a positive effect on profitability due to the ability to utilize economies of scale. In addition, Rachmawati (2024) and Akram et al. (2021) emphasize that large companies have advantages in supporting sustainable growth through stability and long-term expansion capacity. Therefore, company size not only reflects economic capacity, but is also an important indicator in assessing the sustainability and value of the company in the eyes of investors.

Profitability is a crucial aspect in managing the company's financial performance because it reflects the efficiency of management in managing resources to obtain profits and is the main indicator of financial performance assessment (Brigham & Houston, 2014). In addition to showing the company's ability to generate profits from operations, profitability is an important foundation in supporting sustainable growth. An optimal level of profitability enables effective resource allocation in making investment decisions, strengthens the capital structure, and increases the capacity to face market challenges, especially in the dynamic construction industry. Various studies confirm the importance of factors affecting profitability in the context of this industry.

The study by Sucuahi and Cambarihan (2016) found a significant effect of profitability on firm value, while Rifai, Irawan, and Indrawan (2024) highlighted the role of government policies in prioritizing infrastructure that strengthens the profitability and competitiveness of construction companies in Indonesia. Both studies underline that effective management of investment decisions and external policy support are key in achieving optimal profitability and encouraging the company's sustainable growth. Meanwhile, research by Yellu and Indra Widjaja (2023) on the effect of liquidity on profitability in construction companies listed on the Indonesia Stock Exchange in 2019-2021 shows that liquidity has an insignificant effect on profitability as measured by return on equity (ROE), although liquidity remains an important part of financial management. In contrast, another study found that capital structure and operational efficiency have a significant positive effect on profitability.

In the context of dynamic construction company financial management, the ability to maintain profitability is not enough without being supported by adequate financial flexibility. Financial Flexibility is an important element that allows companies to adapt to changing market conditions and maintain business continuity amid industry uncertainty. Financial Flexibility is the company's ability to manage financial and investment decisions in the face of changes in the business environment (DeAngelo & Roll, 2018). Meanwhile, Gamba &

Triantis (2008) explain that financial flexibility is the company's ability to take positive investment opportunities without having to face significant financial constraints. Then Teng et al. (2021) define financial flexibility as the company's capacity to adapt effectively to unexpected shocks that impact its cash flow or investment prospects.

With adequate financial flexibility, companies are able to survive unstable economic conditions while taking investment opportunities in high-value projects. This flexibility also allows companies to access funding sources quickly and efficiently. Therefore, financial flexibility is a crucial strategic capital in maintaining profitability while encouraging the company's sustainable growth.

In addition to being protective in the face of uncertainty, financial flexibility also plays an important role in supporting long-term financial stability. According to Almeida, Campello, and Weisbach (2004) companies with high financial flexibility are better able to deal with liquidity pressures and declining revenues without having to sell assets in a hurry. This allows management to maintain operational continuity without sacrificing profitability or making unfavorable funding decisions. According to Denis (2011), financial flexibility also provides room for companies to delay or accelerate investment according to market conditions, thus supporting sustainable growth. Thus, financial flexibility is not only a risk mitigation tool, but also a strategic foundation in achieving sustainable performance and increasing firm value.

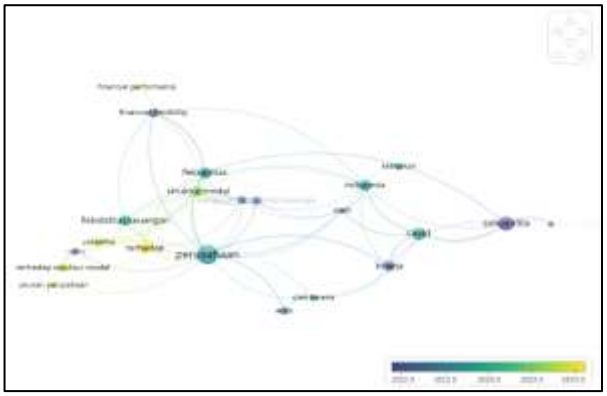

Figure 5. Bibliometric Analysis of Research Literature "Financial Flexibility"

Source: VOSviewer processed data, 2025

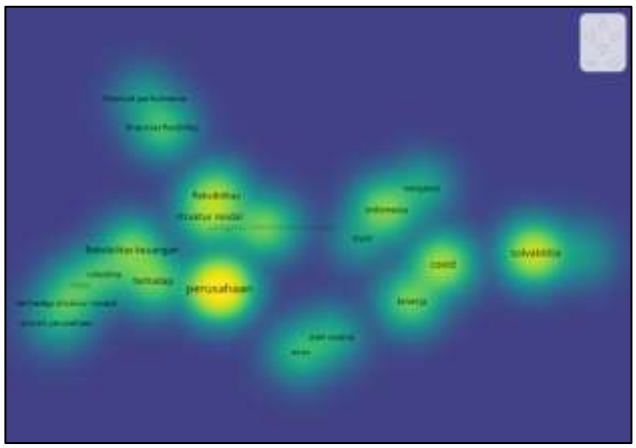

Figure 6. Keyword Density Map "Financial Flexibility"

Source: VOSviewer processed data, 2025

Based on bibliometric analysis with the help of VOSviewer software using data from Publish or Perish and the keyword financial flexibility, this topic is closely related to key concepts such as capital structure, firm value, liquidity, cash holdings, and financial performance. The keyword network visualization (Figure 5) shows that financial flexibility is often discussed in the context of a firm's ability to maintain financial stability and manage its capital structure amidst uncertainty. Meanwhile, the density map in Figure 6 highlights the

high research focus on terms such as liquidity, capital structure, and firm performance, indicated by the light-colored areas. However, there is no explicit representation of the role of financial flexibility as a moderating variable in the visual structure. This finding suggests that the moderating role of financial flexibility is still rarely explored in comprehensive research models that incorporate strategic variables in corporate finance.

Financial flexibility is not only a safety net in times of crisis, but also gives companies the flexibility to take advantage of profitable investment opportunities. Companies with high financial flexibility are better prepared to respond to changes in material prices, project regulations, and delays in client payments. Research from Agustiawan (2021) found that Financial Flexibility has a significant negative effect on capital structure, but has an insignificant effect on firm value. In contrast, Citrahartani's research (2023) shows a positive effect of Financial Flexibility on sustainable growth. This confirms the importance of financial flexibility in maintaining the resilience and growth of construction companies.

Based on the phenomenon of decreasing Sustainable Growth Rate (SGR) in the heavy construction and civil engineering subsectors on the IDX in the last five years, it shows the need for a more comprehensive strategic study. This study aims to analyze the effect of investment decisions, capital structure, and company size on sustainable growth. Profitability is used as a mediating variable, while financial flexibility as a moderating variable to strengthen the research model. This approach is expected to make a theoretical contribution in enriching the financial literature of construction companies. In addition, the research results can be a strategic reference for management and investors in evaluating prospects for sustainable growth.

Based on the available literature, the following hypotheses were developed:

a. Does Investment Decision have a significant effect on Profitability in Heavy Construction and Civil Engineering Subsector companies listed on the Indonesia Stock Exchange?
b. Does Capital Structure have a significant effect on Profitability in Heavy Construction and Civil Engineering Subsector companies listed on the Indonesia Stock Exchange?
c. Does Company Size have a significant effect on Profitability in Heavy Construction and Civil Engineering Subsector companies listed on the Indonesia Stock Exchange?
d. Does Investment Decision have a significant effect on Sustainable Growth in Heavy Construction and Civil Engineering Subsector companies listed on the Indonesia Stock Exchange?
e. Does Capital Structure have a significant effect on Sustainable Growth in Heavy Construction and Civil Engineering Subsector companies listed on the Indonesia Stock Exchange?
f. Does Company Size have a significant effect on Sustainable Growth in Heavy Construction and Civil Engineering Subsector companies listed on the Indonesia Stock Exchange?
g. Does Profitability have a significant effect on Sustainable Growth in Heavy Construction and Civil Engineering Subsector companies listed on the Indonesia Stock Exchange?
h. Does Profitability mediate the effect of Investment Decisions on Sustainable Growth in Heavy Construction and Civil Engineering Subsector companies listed on the Indonesia Stock Exchange?
i. Does Profitability mediate the effect of Capital Structure on Sustainable Growth in Heavy Construction and Civil Engineering Subsector companies listed on the Indonesia Stock Exchange?
j. Does Profitability mediate the effect of Company Size on Sustainable Growth in Heavy Construction and Civil Engineering Subsector companies listed on the Indonesia Stock Exchange?
k. Does Financial Flexibility moderate the effect of Profitability on Sustainable Growth in Heavy Construction and Civil Engineering Subsector companies listed on the Indonesia Stock Exchange?

The research framework that describes the relationship between research variables can be built based on the problem and literature review is shown in Figure 7.:

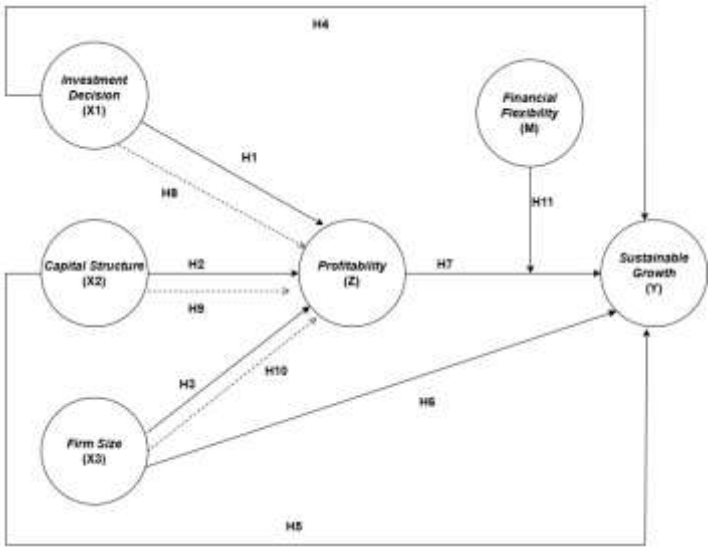

Figure 7. Conceptual framework

2. Literature Review

2.1 Corporate Finance

Ross et al. (2015), Corporate Financial is a financial decision-making process that includes managing funds, selecting financing sources, and allocating funds optimally. This function is not only administrative, but also strategic, because it includes financial planning, monitoring financial position, and adjusting to internal and external changes. Financial professionals are responsible for maintaining a balance between short-term liquidity and long-term profitability to ensure the sustainability and efficiency of company operations.

2.2 Agency Theory

Agency theory proposed by Jensen and Meckling (1976) explains the contractual relationship between shareholders (principals) and managers (agents), where differences in interests between them can lead to agency conflicts. Shareholders focus on increasing the value of the company, while managers may pursue personal interests such as compensation or position stability. In the context of this study, transparency of financial decisions such as investment and capital structure is crucial to maintain profitability and sustainable growth.

2.3 Signaling Theory

The signal theory introduced by Spence (1973) explains that managers as internal parties provide signals to investors to reduce information asymmetry. Since managers have more complete information about the condition of the company, the delivery of positive signals is important so that investors can distinguish good performing companies. Transparency and disclosure of financial and non-financial information increase investor confidence and influence investment decisions, thereby supporting an increase in firm value (Connelly et al., 2011).

2.4 Sustainable Growth

According to Higgins (1977), sustainable growth is the maximum growth rate that a company can achieve using internal financing without changing the capital structure. This concept emphasizes the importance of optimizing retained earnings so that investment, financing, and dividend policies are aligned, so that the company can grow optimally without relying on external funds. Platt et al. (1995) added that sustainable growth reflects the company's ability to increase assets and sales without issuing new shares, by maintaining the existing capital structure. Thus, sustainable growth is an important indicator in financial management to maintain business continuity and increase firm value.

2.5 Investment Decision

According to Ross et al. (2015), investment decisions are a crucial first step in corporate financial management because they determine the allocation of funds to create value in the future. This decision is strategic, involves evaluating risks and potential returns, and affects

the next funding step (Gitman & Zutter, 2012). Wang (2015) emphasizes that investment decision-making must consider resource limitations and alignment with long-term strategies so that the company can grow sustainably.

2.6 Capital Structure

According to Ross et al. (2015), capital structure is a combination of the proportion of debt and equity used by a company to finance its investment and operational activities. The optimal capital structure aims to minimize the cost of capital, maintain financial flexibility, and maximize firm value. Brigham (2018) adds that capital structure also acts as a risk control and value optimization tool, while Harris and Raviv (1991) assert that internal and external factors such as investment opportunities and market conditions affect the balanced capital structure.

2.7 Company Size

According to Ross et al. (2015), company size reflects the wealth managed by management and is related to the growth and scale of the business. Large companies usually have more funds for expansion and easier access to external financing (Gitman & Zutter, 2012), although an increase in size does not always mean an increase in value for shareholders because efficiency and risk factors are also important.

2.8 Profitability

According to Ross et al. (2015), profitability shows the company's ability to generate profits from its operations, reflecting the effective use of assets and capital. Brealey et al. (2020) add that profitability reflects the profit generated, where large companies tend to have greater profits.

2.9 Financial Flexibility

Teng et al. (2021) define financial flexibility as a company's capacity to effectively adapt to unexpected shocks that affect cash flow or investment prospects. Islam et al. (2022) add that this includes the ability to obtain funding from both internal and external sources during difficult times. Zhou et al. (2023) emphasize that firms with high financial flexibility are better able to navigate downturns and seize investment opportunities, whereas companies with high levels of debt tend to lose their financial flexibility.

3. Research Method

This research employs a quantitative approach and adopts a causal explanatory research design. The population consists of companies in the heavy construction and civil engineering subsector listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. The sampling technique used is purposive sampling based on specific criteria, such as the availability of complete and audited financial statements and consistent data throughout the observation period, resulting in a total sample of 17 companies. The data used in this study are secondary data obtained from audited financial statements and annual reports published by each company. The analytical technique applied is Structural Equation Modeling using the Partial Least Squares (SEM-PLS) method, with the assistance of SmartPLS software. The variable measurements in this study are as follows:

Sustainable Growth (Higgins (1977))

SGR = Profit Margin x Asset Turnover x Retention Ratio x Financial Leverage

Investment Decision

- Return on Invesment (Kasmir, 2016a)
  ROI = Net Profit / Invesment
- Price Earning Rasio (Sitanggang, 2012)
  PER = Share Price / Earning Per Share

Capital Structure

- Debt to Equity (DER) (Kasmir, 2016a)
  DER = Total Debt / Total Equity
- Debt to Asset (DAR) (Alipudin et al., 2019)
  DAR = Total Debt / Total Asset

Company Size (Brigham dan Houston (2001:4)

1) Firm Size = Log(Total Asset)
2) Firm Size = Log (Total Sales)

Profitability

1) Return on Aset (ROA) (Kasmir, 2016a)

ROA = Net Profit / Total Asset

2) Return on Equity (ROE) (Saleh dan Sudiyatno, 2018)

ROE = Net Profit / Total Equity

3) Net Profit Margin (NPM) (Assaji dan Machmuddah, 2019)

NPM = Net Profit / Revenue

Financial Flexibility (Murti et al., 2016)

a. Financial Flexibility=Cash Flexibility+Debt Flexibility

b. Financial Flexibility = (Operating cash flow / total liabilities)

The hypothesis testing in this study employs the Structural Equation Modeling (SEM) approach based on Partial Least Squares (PLS), operated using the SmartPLS software. The estimation process is conducted through a bootstrapping procedure to obtain t-statistics and p-values. According to Hair et al. (2022), the relationship between variables is considered statistically significant if the t-statistic is ≥ 1.96 and the p-value is ≤ 0.05.

4. Results

Here are the results of the outer model in this study:

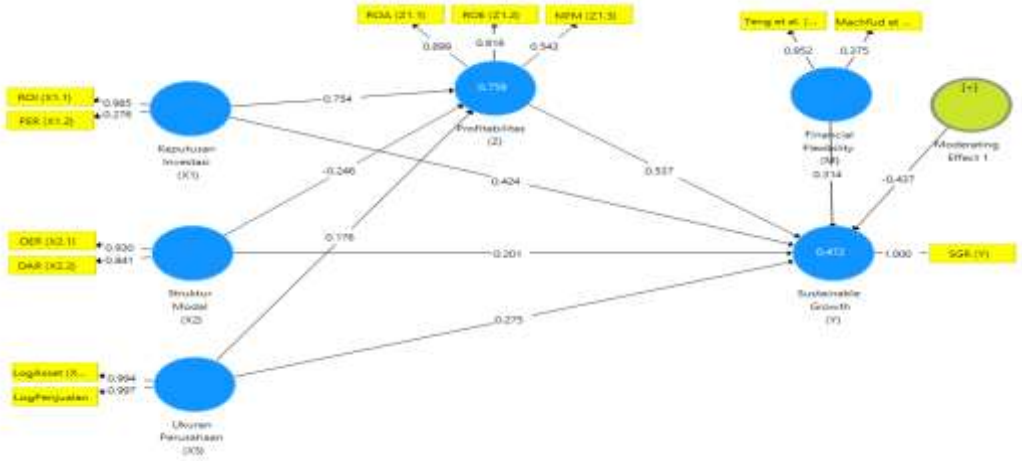

Figure 8. Outer Loading

Based on Figure 8, it is observed that Financial Flexibility 2 (M1.2) <- Financial Flexibility, PER (X1.2) <- Investment Decision, and NPM (Z1.3) <- Profitability have outer loading values of less than 0.7; therefore, these indicators were eliminated from the model.

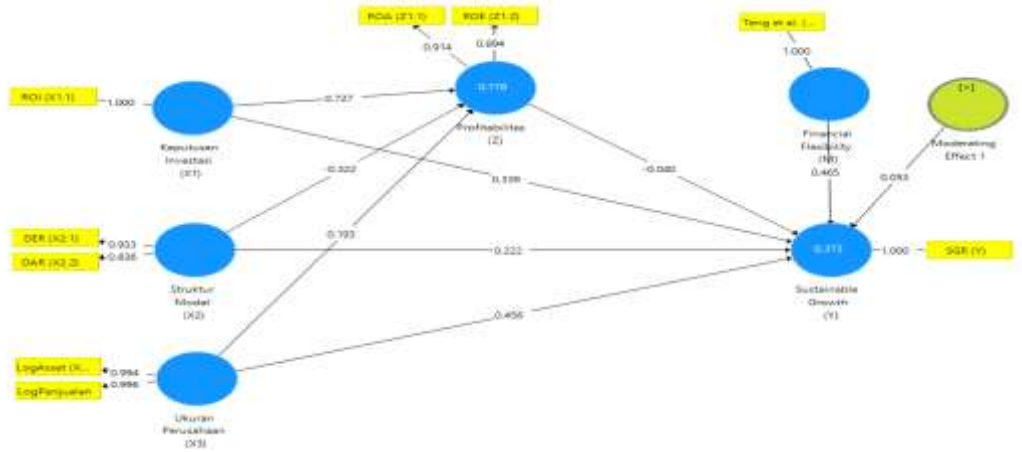

Figure 8. Outer Model Modification

As shown in Figure 9, all outer loading values for each reflective construct exceed 0.7, indicating that the model meets the criteria for strong convergent validity. In this study, the researcher utilized secondary data obtained from company financial statements. Therefore,

reliability and validity tests using discriminant validity and composite reliability were not conducted, as these tests are typically applied to primary data sources such as questionnaires or surveys. The R-Square values from the inner model are presented as follows:

	R-square
Profitabilitas	0.750
SGR	0.431

Figure 10. R-Square values

Based on the table above, the indicator for Profitability obtained an R-Square value of 0.750. This indicates that 75% of the variance in Profitability can be explained by Investment Decision, Capital Structure, and Firm Size. This result demonstrates that the model has a good explanatory power. Meanwhile, the R-Square value for the Sustainable Growth variable is 0.431, meaning that 43.1% of the variance in Sustainable Growth can be explained by Investment Decision, Capital Structure, Firm Size, Profitability, and Financial Flexibility.

Model fit assessment can be evaluated using the Q^2 value (predictive relevance). A higher Q^2 value indicates a better fit between the research model and the observed data. The Q^2 values obtained in this study are presented as follows:

Q2 = 1 – (1-R21) (1-R22)
Q2 = 1 – (1-0,563) (1-0,185)
Q2 = 1 – (0,438) (0,814)
Q2 = 1 – 0,356
Q2 = 0,644

Based on the Q^2 calculation results, a value of 0.644 was obtained. This means that 64.4% of the variance in the research data can be explained by the structural model developed in this study. This indicates that the structural model meets a good level of goodness of fit.

The results of hypothesis testing are as follows:

Table 1. Results of Hypothesis Testing

Hypothesis	Indicator	Coefficient	T-statistics	P-values	Description
H1	Investment Decision -> Profitability	0.727	4.204	0.000	Significant
H2	Capital Structure -> Profitability	-0.322	3.368	0.001	Significant
H3	Firm Size -> Profitability	0.193	2.200	0.028	Significant
H4	Investment Decision -> Sustainable Growth Rate (SGR)	0.339	0.765	0.444	Not Significant
H5	Capital Structure -> SGR	0.222	0.600	0.600	Not Significant
H6	Firm Size -> SGR	0.456	2.282	0.023	Significant
H7	Profitability -> SGR	-0.040	1.766	0.089	Not Significant
H8	Investment Decision -> Profitability -> SGR	-0.029	0.086	0.931	Not Significant
H9	Capital Structure -> Profitability -> SGR	0.013	0.085	0.932	Not Significant
H10	Firm Size -> Profitability -> SGR	-0.008	0.088	0.930	Not Significant
H11	Financial Flexibility x Profitability -> SGR	0.053	0.142	0.887	Not Significant

5. Discussion

5.1 Investment Decision Has a Positive and Significant Effect on Profitability in the Heavy Construction and Civil Engineering Subsector Listed on the Indonesia Stock Exchange

Based on the hypothesis testing results, the original sample value of 0.727 indicates a positive relationship between the variables. The t-statistic value of 4.204 exceeds the threshold ($t > 1.96$), and the p-value of 0.000 meets the significance criterion ($p < 0.05$). Therefore, the hypothesis is accepted and statistically significant. This means that investment decisions have a positive and significant effect on the profitability of the company.

This finding indicates that appropriate investment decisions encourage firms to allocate funds to productive assets, enhance operational efficiency, and generate higher revenues. In the capital-intensive construction industry, investment decisions are crucial in maintaining business continuity and achieving sustainable growth.

This result is consistent with previous studies by Muthohharoh (2021), Ginting (2019), and Murniati et al. (2019), which demonstrate that investment decisions positively influence profitability. Companies that invest effectively tend to experience improvements in financial performance. However, this finding contrasts with the studies by Wardani et al. (2022) and Ardila et al. (2021), which found that the effect of investment decisions on profitability was not significant. This suggests that the impact of investment decisions may vary depending on the industry context, firm characteristics, and the observation period.

5.2 Capital Structure Has a Negative and Significant Effect on Profitability in the Heavy Construction and Civil Engineering Subsector Listed on the Indonesia Stock Exchange

Based on the hypothesis testing results, the original sample value of -0.322 indicates a negative relationship between the variables. The t-statistic value of 3.368 exceeds the threshold ($t > 1.96$), and the p-value of 0.001 meets the significance criterion ($p < 0.05$), thus the hypothesis is accepted and significant. This means that capital structure has a negative and significant effect on profitability. The higher the proportion of debt in the capital structure, the lower the company's profitability. This negative effect suggests that increased debt usage raises interest burdens and financial costs, which reduce operational efficiency and profit margins. In the capital-intensive construction industry, an unhealthy capital structure can hinder financial performance and the company's operational sustainability.

This finding is consistent with Prasojo (2018), who concluded that capital structure negatively affects profitability. Increased debt tends to enlarge financial burdens, leading to decreased profits. However, this result differs from findings by Syamsuddin (2023) and Putri (2022), which indicate that capital structure does not have a significant effect on profitability. These differences suggest that the impact of capital structure may vary depending on industry context, management strategies, and market conditions.

5.3 Firm Size Has a Positive and Significant Effect on Profitability in the Heavy Construction and Civil Engineering Subsector Listed on the Indonesia Stock Exchange

Based on the hypothesis testing results, the original sample value of 0.193 indicates a positive relationship between the variables. The t-statistic value of 2.200 meets the standard ($t > 1.96$), and the p-value of 0.028 meets the significance criterion ($p < 0.05$). Therefore, the hypothesis is accepted and significant. This means that firm size has a positive and significant effect on profitability. This finding shows that larger firms tend to have higher profitability. Larger companies generally have more resources, broader access to financing, and greater production capacity, which can enhance operational efficiency and revenue.

This result is consistent with studies by Hirdinis (2019), Octaviany et al. (2019), and Putri et al. (2024), which conclude that firm size positively and significantly affects profitability through operational efficiency and economies of scale. However, this finding differs from research by Akram et al. (2021) and Hermanto and Dewinta (2023), who found that firm size does not have a significant effect. They argue that firm growth can lead to risks of bureaucratic inefficiency and managerial complexity. This indicates that the influence of firm size on profitability is contextual and depends on internal and external factors of the company.

Investment Decision Has a Positive but Insignificant Effect on Sustainable Growth in the Heavy Construction and Civil Engineering Subsector Listed on the Indonesia Stock Exchange

Based on the test results, the original sample value of 0.339 indicates a positive relationship between investment decisions and Sustainable Growth. However, the t-statistic of 0.765 does not meet the standard ($t > 1.96$), and the p-value of 0.444 does not meet the significance criterion ($p < 0.05$). This means that investment decisions have a positive but insignificant effect on Sustainable Growth. Although the direction of the relationship is positive, the effect is not statistically strong enough within the analyzed period. These results indicate that the investments made have not yet contributed significantly to the company's sustainable growth. In the construction industry, investment decisions without thorough analysis may lead to inefficient resource allocation.

This finding provides a theoretical contribution to understanding the role of investment decisions in supporting a company's sustainable growth. By identifying the direct relationship between investment decisions and Sustainable Growth, this study complements gaps in previous literature, which tends to focus on the impact of investment on profitability or firm value. This contribution is important to expand the framework of corporate finance theory and business strategy, especially within the construction industry that has unique characteristics related to risks and long-term investment needs.

5.4 Investment Decision Has a Positive but Insignificant Effect on Sustainable Growth in the Heavy Construction and Civil Engineering Subsector Listed on the Indonesia Stock Exchange

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5.5 Capital Structure Has a Positive but Insignificant Effect on Sustainable Growth in the Heavy Construction and Civil Engineering Subsector Listed on the Indonesia Stock Exchange

Based on the test results, the original sample value of 0.222 indicates a positive relationship between capital structure and Sustainable Growth. However, the t-statistic value of 0.600 and p-value of 0.600 do not meet the significance criteria. This means that capital structure has a positive but insignificant effect on Sustainable Growth. The result suggests that the composition of debt and equity has not yet made a meaningful contribution to the company's ability to achieve sustainable growth. Capital structure decisions have not sufficiently driven Sustainable Growth in the heavy construction and civil engineering industry.

This finding contradicts the study by Ahmeti et al. (2024), which states that capital structure influences Sustainable Growth. Their study found that effective management of capital structure can improve fund utilization efficiency and support long-term growth. The difference in results may be due to variations in industry sectors, company characteristics, and research periods. Factors such as risk management and corporate governance may also affect the effectiveness of capital structure on growth, indicating the need for further research.

5.6 Company Size Has a Positive and Significant Effect on Sustainable Growth in the Heavy Construction and Civil Engineering Subsector Listed on the Indonesia Stock Exchange

Based on the test results, the original sample value of 0.456 indicates a positive relationship between company size and Sustainable Growth. The t-statistic of 2.282 and p-value of 0.023 meet the significance criteria. This means that company size has a positive and significant effect on achieving Sustainable Growth. The result shows that the larger the company size, the greater its ability to maintain and enhance Sustainable Growth. Larger companies tend to have broader access to resources, better risk management capabilities, and higher adaptability to market changes.

This finding is consistent with the study by Rahim et al. (2019), which states that larger companies are better able to exploit economies of scale and manage resources efficiently. However, Mumu et al. (2019) found a significant negative effect, attributing it to potential managerial inefficiencies in large companies. Meanwhile, Rachmawati (2024) stated that company size has no significant effect on sustainable growth. These differing results indicate that the impact of company size heavily depends on the industry context, organizational structure, and external conditions faced by the company.

5.7 Profitability Has a Negative and Insignificant Effect on Sustainable Growth in the Heavy Construction and Civil Engineering Subsectors Listed on the Indonesia Stock Exchange

Based on the test results, the original sample value of -0.040 indicates a negative relationship between profitability and Sustainable Growth. The t-statistic value of 1.766 and p-value of 0.089 do not meet the significance criteria. This means that profitability has a negative but insignificant effect on Sustainable Growth. This finding suggests that the profits earned by companies have not been able to optimally drive long-term growth. In the

construction industry, profitability is often used to cover operational costs and high project risks rather than for expansion or long-term investments. This indicates that high profitability does not necessarily guarantee the achievement of Sustainable Growth.

This finding aligns with the studies by Hakiki (2025) and Saputri (2024), which show that profitability has an insignificant, even negative effect on Sustainable Growth. They emphasize that profits tend to be used for short-term needs rather than strategic development. However, this result contradicts the studies by Erawati et al. (2025) and Aqila (2023), which found a positive and significant effect. These studies highlight the importance of efficient profit management as an internal financing source for innovation and long-term competitiveness. The differing results reflect the influence of industry context, financial strategies, and company characteristics on the relationship between profitability and Sustainable Growth.

5.8 Profitability Does Not Mediate the Effect of Investment Decisions on Sustainable Growth in the Heavy Construction and Civil Engineering Subsectors Listed on the Indonesia Stock Exchange

Based on the test results, the coefficient value of -0.029 indicates a negative relationship for profitability as a mediator between investment decisions and Sustainable Growth. The t-statistic value of 0.086 and p-value of 0.931 do not meet the significance criteria. This means that profitability does not mediate the relationship between investment decisions and sustainable growth. This finding suggests that although sound investment decisions can increase profitability, the increase in profit is not strong enough or is not optimally managed to drive long-term growth. In the capital-intensive and high-risk construction industry context, profits generated from investments tend to be used to cover operational burdens or project risks rather than for sustainable growth initiatives.

A review of prior literature has not identified studies that specifically examine the mediating role of profitability in the relationship between investment decisions and sustainable growth, particularly in the construction sector. Therefore, this finding provides an important theoretical contribution and opens opportunities for further research by considering other potential mediating or moderating factors in this relationship.

5.9 Profitability Does Not Mediate the Effect of Capital Structure on Sustainable Growth in the Heavy Construction and Civil Engineering Subsectors Listed on the Indonesia Stock Exchange

Based on the test results, the coefficient value of 0.013 indicates a positive relationship between capital structure and Sustainable Growth through profitability. However, the t-statistic value of 0.085 and p-value of 0.932 do not meet the significance criteria. This means that profitability does not significantly mediate the relationship between capital structure and sustainable growth. Although theoretically, a balanced capital structure between debt and equity can create cost efficiency and increase profits, this study shows that profitability has not increased sufficiently to support long-term growth. This indicates that the company's capital structure management is not yet optimal in generating profits that contribute to sustainable growth.

This finding provides a theoretical contribution to understanding the mediating role of profitability in the relationship between capital structure and Sustainable Growth. Previous studies explicitly examining this mechanism, especially in the construction sector, have not been found. The insignificant result confirms that achieving sustainable growth depends not only on the funding composition but also on the company's ability to manage its capital structure efficiently to generate sustainable profits. Therefore, further research should consider other variables as mediators or moderators to strengthen the relationship between capital structure and Sustainable Growth.

5.10 Profitability does not mediate the effect of Firm Size on Sustainable Growth in the Heavy Construction and Civil Engineering Subsector listed on the Indonesia Stock Exchange.

Based on the test results, the coefficient value of -0.008 indicates a negative relationship between company size and Sustainable Growth through profitability mediation. However, the t-statistic of 0.088 and the p-value of 0.930 do not meet the significance criteria. These results indicate that profitability does not significantly mediate the relationship between company size and Sustainable Growth. Although large companies are often associated with better investment and expansion management capabilities, in this study company size did not

significantly increase profitability. Therefore, profitability does not act as an effective mediator in the relationship between company size and sustainable growth.

This finding broadens the theoretical understanding of the mediating role of profitability in the relationship between firm size and Sustainable Growth, especially in the context of the construction industry. Previous studies have not comprehensively tested this mediation mechanism. Therefore, this result emphasizes the importance of proper managerial management so that firm size can contribute significantly to long-term growth.

5.11 Financial Flexibility does not moderate the effect of Profitability on Sustainable Growth in the Heavy Construction and Civil Engineering Subsectors listed on the Indonesia Stock Exchange

Based on the test results, the coefficient value of 0.053 indicates a positive relationship between profitability and Sustainable Growth moderated by Financial Flexibility. However, the t-statistic value of 0.142 and the p-value of 0.887 do not meet the significance criteria. This result shows that Financial Flexibility does not significantly moderate the relationship between profitability and Sustainable Growth. Although financial flexibility is expected to enhance the effect of profitability by providing strategic financial space, in this study, it did not significantly strengthen that relationship. Therefore, Financial Flexibility does not act as an effective moderator in the relationship between profitability and sustainable growth.

This finding contributes to the theoretical understanding of the moderating role of Financial Flexibility in the relationship between profitability and Sustainable Growth, particularly within the construction industry context in Indonesia. Previous studies have rarely explored this moderation mechanism in depth. Therefore, the result highlights that while financial flexibility may offer firms the capacity to respond to external dynamics, it is not yet strong enough to enhance the impact of profitability on sustainable growth. This suggests that achieving Sustainable Growth may rely more on other factors such as operational efficiency, risk management, and long-term strategic planning.

6. Conclusions and Recommendation

This study concludes that investment decisions, capital structure, and firm size have different roles in influencing profitability and sustainable growth in the heavy construction and civil engineering subsectors. Investment decisions, capital structure, and firm size significantly affect profitability; however, only firm size has a significant impact on sustainable growth. Profitability itself has an insignificant effect on sustainable growth and does not mediate the relationships between investment decisions, capital structure, or firm size and sustainable growth. Additionally, financial flexibility does not significantly moderate the relationship between profitability and sustainable growth. These results underscore the importance of strategic investment decision-making and sound capital structure management to achieve long-term financial performance and sustainability.

It is recommended that future research expand the scope by including other construction subsectors or different industries, extend the observation period, and incorporate additional variables such as innovation, corporate governance, and environmental-social factors. Practically, companies need to prioritize efficient investment allocation, maintain a balanced and effective capital structure, and strengthen financial flexibility to enhance resilience and support sustainable growth in this capital-intensive and high-risk industry.

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