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Analysis Of The Effect Of Capital Structure And Profitability On Company Value In Pt Bank Rakyat Indonesia Tbk

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Abstract

This study aims to analyze the effect of capital structure and profitability on firm value at PT Bank Rakyat Indonesia (Persero) Tbk. Capital structure is measured using the Debt to Equity Ratio (DER), profitability is measured using Return on Assets (ROA), while firm value is measured using Price to Book Value (PBV). This research uses a quantitative method with an associative approach. The data used are secondary data in the form of annual financial reports of PT Bank Rakyat Indonesia (Persero) Tbk for the 2010–2024 period. The data analysis technique uses multiple linear regression analysis with the help of SPSS application, through classical assumption tests, coefficient of determination tests, t-tests, and F-tests. The results of the study indicate that capital structure affects firm value, while profitability has a positive effect on firm value. Simultaneously, capital structure and profitability have a significant effect on firm value at PT Bank Rakyat Indonesia (Persero) Tbk. This study is expected to be a consideration for companies in managing capital structure and increasing profitability in order to enhance firm value.

Keywords: Capital Structure, Profitability, Firm Value, DER, ROA, PBV

INTRODUCTION

The rapid development of the banking sector has made competition between companies increasingly intense. This competition encourages companies to continuously improve service quality, enhance financial performance, and maintain the trust of the public and shareholders to survive amid constantly changing economic conditions. The

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banking sector plays an important role in the economy as an intermediary institution that collects funds from the public and redistributes them in the form of loans or other financial services. Therefore, the condition and performance of banks serve as key indicators for evaluating a country's economic stability and growth.

Banking performance is a depiction of a company's ability to carry out operational activities effectively and efficiently to achieve the company's goals, especially in generating profits and maintaining financial stability. Good bank performance reflects the company's ability to manage assets, liabilities, capital, and financial risks optimally. One of the tools used to understand the condition and development of a company is the financial statement. According to Kasmir (2019), a financial statement is a report that shows a company's financial condition in a certain period, which is used as a basis for decision-making by both internal and external parties of the company. In the banking world, financial statements play an important role because they are used to assess the bank's health level, the company's ability to generate profits, liquidity, solvency, as well as the effectiveness of asset and liability management of the company. In addition, financial statements also serve as an important source of information in assessing the condition and progress of a company's financial performance. Information in financial statements can be used to assess a company's ability to generate profits, manage assets, and maintain the company's financial stability related to the company's value.

Company value is a depiction of the level of a company's success in managing its operational and financial activities, reflected in the stock price in the capital market (Kammagi & Veny, 2023). A high company value indicates that the company has good financial conditions and business prospects (Lisda & Kusmayanti, 2021). In this study, company value is measured using the Price to Book Value (PBV). According to Kasmir (2020), PBV is a ratio used to compare the market price of a stock with the book value per share of a company. The higher the PBV value, the better the market's assessment of the company and it indicates that the company is able to optimally increase its company value.

One of the factors that affect a company's value is capital structure. Capital structure is the comparison between the use of debt and equity in financing the company's operational activities. An optimal capital structure can help the company increase its value through effective management of funding sources (Agustina & Huda, 2022). In this study, capital structure is measured using the Debt to Equity Ratio (DER). According to Kasmir (2020), DER is a ratio used to measure the comparison between total debt and total equity of a company, thus reflecting the level of financial risk of the company. The higher the

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DER, the greater the company's dependence on debt, which can increase the company's financial risk and affect the company's financial condition.

In addition to capital structure, profitability is also an important factor that affects the value of a company. Profitability is a ratio used to assess a company's ability to generate profit over a certain period (Oktaviani & Mulya, 2018). Profitability indicates the company's effectiveness in managing assets to generate profit. In this study, profitability is measured using Return on Assets (ROA). According to Kasmir (2020), ROA is a ratio used to measure a company's ability to generate profit through the effective utilization of all assets in the company's operational activities. The higher the ROA, the better the company's ability to generate profit from the assets it owns, thereby improving company performance and company value.

PT Bank Rakyat Indonesia (Persero) Tbk is one of the largest banking companies in Indonesia, listed on the Indonesia Stock Exchange, and plays an important role in supporting national economic growth. As a banking company, PT Bank Rakyat Indonesia (Persero) Tbk is required to maintain financial performance stability as well as increase corporate value to remain competitive in the banking sector. Although it has relatively good performance, the company value reflected through stock prices and PBV can fluctuate over time. This condition indicates that capital structure and profitability are important factors that need to be considered in increasing corporate value. Therefore, this study was conducted to analyze the effect of capital structure and profitability on the firm value of PT Bank Rakyat Indonesia (Persero) Tbk by using data on total debt, total equity, net profit, total assets, stock prices, and the number of shares outstanding at PT Bank Rakyat Indonesia Tbk during the period 2010–2024 to provide an overview of the condition and development of the company's financial performance.

Table 1. Total Debt, Equity, Net Profit, Assets, Stock Price and Book Value Per Share of PT Bank Rakyat Indonesia Tbk for the Years 2010-2024

Year	Total Debt	Total Equity	Net Profit	Total Assets	Stock Price	Number of Shares Outstanding
2010	Rp367.612.452	Rp36.673.110	Rp11.472.385	Rp404.285.602	5.250	24.669.162.000
2011	Rp420.079.555	Rp49.820.329	Rp15.088.996	Rp469.899.264	6.750	24.669.162.000
2012	Rp486.455.011	Rp64.881.779	Rp18.687.380	Rp551.336.790	6.950	24.669.162.000
2013	Rp546.855.504	Rp79.327.422	Rp21.354.330	Rp626.182.926	7.250	24.669.162.000
2014	Rp704.217.592	Rp97.737.429	Rp24.253.845	Rp801.955.021	11.650	24.669.162.000
2015	Rp765.299.133	Rp113.127.179	Rp25.410.788	Rp878.426.312	11.425	24.422.470.380

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2016	Rp856.831.836	Rp146.812.590	Rp26.227.991	Rp1.003.644.426	11.675	24.447.444.000
2017	Rp958.900.948	Rp167.347.494	Rp29.044.334	Rp1.126.248.442	3.640	123.345.810.000
2018	Rp1.111.622.961	Rp185.275.331	Rp32.418.486	Rp1.296.898.292	3.660	123.345.810.000
2019	Rp1.183.155.670	Rp208.784.336	Rp34.413.825	Rp1.416.758.840	4.00	123.345.810.000
2020	Rp1.278.346.276	Rp199.911.376	Rp18.660.393	Rp1.511.804.628	4.170	132.345.810.000
2021	Rp1.386.310.930	Rp291.786.804	Rp30.755.766	Rp1.678.097.734	4.110	151.559.001.604
2022	Rp1.562.243.693	Rp303.395.317	Rp51.408.207	Rp1.865.639.010	4.940	151.559.001.604
2023	Rp1.648.534.888	Rp316.472.142	Rp60.425.048	Rp1.965.007.030	5.725	151.559.001.604
2024	Rp1.669.794.400	Rp323.189.047	Rp60.643.808	Rp1.992.989.447	4.080	151.559.001.604

(Data Presented in Million Rupiah, Except Stock Price and Number of **Outstanding Shares)**
Source: https://bri.co.id

Based on Table 1 of PT Bank Rakyat Indonesia Tbk's financial data for the 2010–2024 period, it can be seen that all main financial variables such as total debt, total equity, net profit, and total assets showed an upward trend from year to year, although in certain periods there were fluctuations. Total debt of PT Bank Rakyat Indonesia Tbk has shown significant growth from 2010 to 2024. The relatively high increase in debt during the 2020–2022 period is suspected to have been influenced by the high funding needs during the COVID-19 pandemic to maintain the company's liquidity and support credit restructuring. Entering 2023 and 2024, total debt increased again along with national economic recovery and the growth of productive credit expansion.

From the net profit side, PT Bank Rakyat Indonesia Tbk recorded a fairly good growth trend almost every year. Although it experienced a decline in 2020 due to the COVID-19 pandemic, the company's profit increased again in the 2021–2024 period. This profit increase indicates the company's success in implementing operational efficiency, improving asset quality, as well as increasing interest and non-interest income. The total assets of PT Bank Rakyat Indonesia Tbk also show significant development. Asset growth occurred consistently from 2010 to 2024. The increase in assets during the 2020–2022 period is related to the ongoing credit expansion despite the economic slowdown caused by the pandemic. The asset increase in the following years indicates economic recovery as well as the company's ability to expand its financing portfolio, particularly in the MSME sector.

Furthermore, the total equity of PT Bank Rakyat Indonesia Tbk also experienced a fairly consistent increase throughout the research period. The rise in equity reflects an increase in retained earnings and the company's ability to strengthen its capital structure. The years 2020–2022 became an important period for the company in maintaining capital

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stability to face economic uncertainty. Meanwhile, the stock price of PT Bank Rakyat Indonesia Tbk fluctuated during the research period. The stock price reached its highest point in 2014, then experienced a decline in several subsequent periods until 2024. These stock price fluctuations were influenced by capital market conditions, global economic pressures, and investor sentiment toward the banking sector. Nevertheless, the number of shares outstanding showed a stable increase from 2010–2024. This indicates that the company continued to experience strengthening despite the stock price movements tending to be volatile.

Overall, the financial data of PT Bank Rakyat Indonesia Tbk show that the company has experienced quite good performance development throughout the period 2010–2024. The growth in profit, equity, and total assets reflects the effectiveness of the company's management in maintaining profitability and long-term financial stability despite facing economic challenges, including the COVID-19 pandemic.

Previous research on the influence of capital structure and profitability on firm value shows varying results. Research conducted by (Muliana & Ahmad, 2021) indicates that capital structure has a significant effect on firm value. The results of that study show that the optimal use of debt can increase investors' confidence in the company. In addition, the study by (Ramdhonah et al., 2019) shows that profitability has a positive and significant effect on firm value. This indicates that the higher the company's ability to generate profit, the higher the firm's value in the eyes of investors.

Based on the description above, the researcher is interested in raising the research title “ANALYSIS OF THE EFFECT OF CAPITAL STRUCTURE AND PROFITABILITY ON COMPANY VALUE IN PT BANK RAKYAT INDONESIA TBK.”

PROBLEM IDENTIFICATION

Based on the background that has been presented above, the identification of the problems in this research is as follows:To understand the important facets of negotiation

1. There was a fluctuation in the stock price of PT Bank Rakyat Indonesia Tbk.
2. The very high increase in total debt of PT Bank Rakyat Indonesia Tbk every year.
3. Total equity shows a decrease in 2020 for PT Bank Rakyat Indonesia Tbk.
4. Net profit showed a decline in 2020 for PT Bank Rakyat Indonesia Tbk.

PROBLEM FORMULATION

Based on the identification of the problems above, the formulation of the problem in the research is as follows:

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1. Does the capital structure have a significant effect on the company value at PT Bank Rakyat Indonesia Tbk?
2. Does profitability have a significant effect on the company's value at PT Bank Rakyat Indonesia Tbk?
3. Do capital structure and profitability have a significant effect on the company value at PT Bank Rakya Indonesia Tbk?

RESEARCH OBJECTIVES

Based on the problem formulation above, the purpose of the research is as follows:

1. To determine the partial effect of capital structure on the company's value at PT Bank Rakyat Indonesia Tbk.
2. To determine the effect of profitability partially on the company value at PT Bank Rakyat Indonesia Tbk.
3. To determine the simultaneous influence of capital structure and profitability on the company value at PT Bank Rakya Indonesia Tbk.

LITERATURE REVIEW

1. Financial Report

According to Kasmir (2019), financial statements are reports that show the financial condition at present or within a certain period. Financial statements include: the balance sheet or financial position report, income statement, statement of changes in equity, cash flow statement, and notes to the financial statements. The purpose of financial statements is to evaluate a company's financial reports with the aim of gaining an understanding of the company's financial condition and performance in the future.

2. Financial Ratios

According to Kasmir (2019), financial ratio is the activity of comparing the figures in financial statements by dividing one figure by another. The purpose of financial ratio analysis is to understand the financial condition of the company and assess the company's financial performance. The main types of financial ratios include Liquidity Ratios, Profitability Ratios, Solvency Ratios, Activity Ratios, and Market Ratios. The financial ratios used in this study are Market Ratios, which include the Company's Value, solvency ratios, which include capital structure, and profitability ratios.

3. Company Value

According to Kasmir (2020), corporate value is a certain condition achieved by a company as a depiction of the level of public trust in the company after going through a

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process of activities over several years. According to Lisda & Kusmayanti (2021), corporate value is the value that reflects investors' perception of the company's level of success, which is often measured through stock prices. Meanwhile, according to Lasabuda & Mangantar (2022), corporate value is the present value of future cases generated by the company, taking risk into account. It can be concluded that corporate value is a measure that reflects the condition and performance of a company as seen from the perception of the market or investors.

According to (E. Yulianti et al., 2022), it is stated that companies that are performing well generally have a PBV ratio above 1 (>1), which indicates that the market value of the stock is greater than the book value of the company. In evaluating stocks, the book value is considered more appropriate because the PBV ratio is often used by investors who do not favor pricing based on company earnings. Based on the PBV ratio approach, there are provisions to determine stock positions, among others, as follows:

PBV>1, then the stock is in an overvalued position
PBV=1, then the stock is in a fair-valued position
PBV<1, then the stock is in an undervalued position

The formula for calculating the Company's Value is as follows:

$$PBV = \frac{Share\ Price}{Book\ Value\ Per\ Share}\ x\ 100\%$$

Source: Kasmir (2019)

The formula for calculating the book value per share is as follows:

$$NBVS = \frac{Total\ Equity}{Number\ of\ Outstanding\ Shares}\ x\ 100\%$$

Source: Kasmir (2019)

4. Capital Structure

Capital Structure is the comparison between equity and long-term debt used by a company to finance its assets (Aviany & Rifandi, 2024). According to (Muliana & Ahmad, 2021), Capital Structure is the balance between permanent short-term debt, long-term debt, preferred stock, and common stock in company expenditures. Meanwhile, according to (Nufyar & Mulyani, 2023), Capital Structure is the combination or mix of debt, preferred stock, and common equity used by a company to fund its operations. It can be concluded that Capital Structure is the composition or comparison between sources of funds originating from debt and equity to finance operational and investment activities.

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The formula for calculating the Company's Value is as follows:

$$DER = \frac{Total\ Debt}{Total\ Equity}\ x\ 100\%$$

Source: Kasmir (2019)

Table 2. DER Assessment Standards

DER	Penilaian
>100%	Healthy
80% - 90%	Quite Healthy
60% - 70%	Unwell
40% - 50%	Not Healthy
20% - 30%	Very Unhealthy

Source: SE BI NO.6/23/DPNP/2009

5. Profitability

Profitability is the company's ability to earn profits in relation to sales, total assets, and equity (Ayahu et al., 2024). According to Kammagi & Veny (2023), profitability is the company's ability to generate profits using all available resources, including capital, assets, and sales. Meanwhile, according to Kasmir (2020), profitability is a ratio used to assess a company's ability to generate profit or earnings within a certain period. It can be concluded that profitability is the company's ability to generate profit by utilizing all available resources, whether from sales, assets, or capital, within a certain period.

The formula to find Profitability is as follows:

$$ROA = \frac{laba\ Bersih}{Total\ Aset}\ X\ 100\%$$

Source: Kasmir (2019)

Table 3 Standard Assessment of Return On Assets

Rank	ROA	Assessment
1	ROA>1,5%	Very Good
2	1,25<ROA≤ 1,5%	Good
3	0,5%<ROA≤1,25%	Good Shave
4	0%<ROA≤ 0,5%	Not Good
5	ROA ≤) 0%	Very Not Good

Source: OJK Circular Letter No/11/SEOJK.03/2022

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6. The Influence of Capital Structure on Company Value

The Influence of Capital Structure on Company Value lies in the company's ability to manage funding sources originating from debt and equity optimally. Capital structure reflects the comparison between the use of debt and equity in financing company activities (Kasmir, 2020). The more optimal the composition of the capital structure, the greater the company's potential to increase company value through improved financial performance and investor confidence.

The use of debt within optimal limits can provide benefits in the form of tax savings (tax shield), which ultimately increases the company's value. However, if the use of debt is too high, the company's financial risk will increase and can reduce company value due to the increased likelihood of bankruptcy (Lisda & Kusmayanti, 2021).

Research on the effect of capital structure on firm value has previously been conducted by several researchers. According to research by (Firmansah & Sari, 2024), capital structure has a positive effect on firm value. This indicates that the proper use of debt can increase firm value. However, another study by (Cahyaningrum & Ahmadi, 2024) states that capital structure does not have a significant effect on firm value.

7. The Influence of Profitability on Company Value

Profitability indicates a company's ability to generate profit from its operational activities. A high level of profitability reflects good company performance, which can increase investor confidence in the company (Kasmir, 2020). The higher the level of profitability, the greater the company's ability to provide returns to shareholders, which will ultimately increase the company's value (Lasabuda & Mangantar, 2022). An increase in profit generated by the company will be reflected in rising stock prices, thereby increasing the company's value. Conversely, low profitability indicates poor company performance, which can reduce investor interest and impact the decline in the company's value (Aviany & Rifandi, 2024).

Previous research conducted by (E. Yulianti et al., 2022) showed that profitability has a positive and significant effect on firm value. This indicates that the higher the profit generated, the higher the firm value. However, research by (Rachmadevi et al., 2023) stated that profitability does not affect firm value.

8. The Influence of Capital Structure and Profitability on Firm Value

Capital structure and profitability together play an important role in determining the value of a company. Capital structure is related to funding decisions, while profitability is related to a company's ability to generate profit (Kasmir, 2020). If a company is able to manage its capital structure optimally and is supported by a high level of profitability, the

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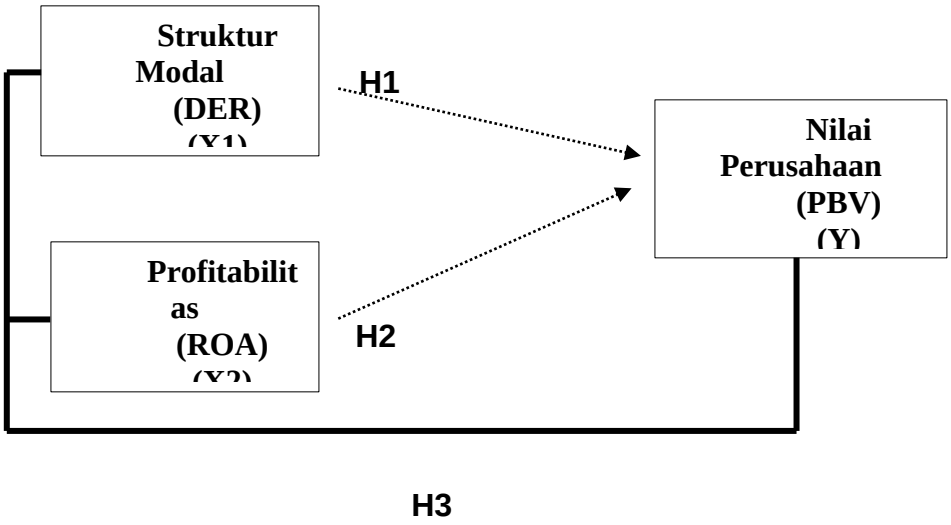
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company's value will increase. This is because investors will view the company as having good performance and controlled risk (V. Yulianti & Ramadhan, 2022). Conversely, an unbalanced capital structure and low profitability can reduce the company's value because they increase risk and lower investor confidence (Wari & Trisnaningsih, 2021).

Previous research by (Nufyar & Mulyani, 2023) stated that capital structure and profitability simultaneously have a significant effect on firm value. This indicates that the combination of financing decisions and the ability to generate profit greatly determines the level of firm value.

RESEARCH FRAMEWORK

This research's conceptual framework is best stated as follows:



Gambar 1. Kerangka Berpikir
Figure 1. research framework

Notes:

1. The arrows from X1 and X2 to Y indicate the partial effects of each variable
2. The lines connecting X1 and X2 to Y indicated the effect.

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STATISTICAL HYPOTHESES

A hypothesis is a temporary answer to the relationship between variables that will be tested for its truth. Because of its speculative nature, a hypothesis should contain clearer implications for the stated test, (Sugiyono, 2017).

The research hypothesis used in the study is:

1. Capital structure partially affects the firm value at PT Bank Rakya Indonesia Tbk
2. Profitability has a partial effect on the company value at PT Bank Rakyat Indonesia Tbk
3. Capital structure and profitability simultaneously affect the company's value at PT Bank Rakyat Indonesia Tbk

As for the statistical hypotheses proposed in this study, they include:

1. H0: β1 = 0: Capital Structure does not have a significant effect on Firm Value at PT. Bank Rakyat Indonesia Tbk.
   Ha: β1 ≠ 0: Capital Structure has a significant effect on Firm Value at PT. Bank Rakyat Indonesia Tbk.
2. H0: β2 = 0: Profitability has no significant effect on the Company Value at PT. Bank Rakyat Indonesia Tbk.
   Ha: β2 ≠ 0: Profitability has a significant effect on the Company Value at PT. Bank Rakyat Indonesia Tbk.
3. H0: β1 = β2: Capital Structure and Profitability do not have a significant effect on profit growth at PT. Bank Rakyat Indonesia Tbk.
   Ha: β1 ≠ β2: Capital Structure and Profitability have a significant effect on Company Value at PT. Bank Rakyat Indonesia Tbk.

RESEARCH METHODOLOGY

The research method used in this study is associative research with a quantitative approach to analyze the effect of capital structure and profitability on firm value at PT Bank Rakyat Indonesia (Persero) Tbk. The data used are secondary data in the form of annual financial statements of the company for the period 2010–2024, obtained through the official website of PT Bank Rakyat Indonesia. The sampling technique uses purposive sampling with the criteria of companies that have complete financial reports during the research period. The data collection technique is carried out through documentation and literature study. Using IBM SPSS, the researchers tested the hypothesis that capital structure (DER) and profitability (ROA) affect firm value (PBV). At a significance level of 0.05, the contribution of independent variables to the dependent variable is measured

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using the coefficient of determination, and t-tests as well as F-tests are used to assess simultaneous effects and partial effects, respectively.

DISCUSSION

This study aims to analyze the effect of capital structure (proxied by Debt to Equity Ratio or DER) and profitability (proxied by Return on Assets or ROA) on firm value (proxied by Price to Book Value or PBV) at PT Bank Rakyat Indonesia Tbk for the period 2010–2024.

1. The Influence of Capital Structure (DER) on Company Value (PBV) at PT Bank Rakyat Indonesia Tbk for the period 2010-2024

The regression analysis results indicate that capital structure has a positive and significant effect on firm value. This is evidenced by the calculated t-value of 4.399, which is greater than the table t-value (2.160), as well as a significance value of 0.001 < 0.05.

The results of this study are in line with the research conducted by (Firmansah & Sari, 2024) which states that capital structure has a positive and significant effect on firm value. However, the results of this study are not in line with the research conducted by (Cahyaningrum & Ahmadi, 2024) which states that capital structure does not have a significant effect on firm value

2. The Effect of Profitability (ROA) on Company Value (PBV) at PT Bank Rakyat Indonesia Tbk 2010-2024

Unlike capital structure, test results show that profitability has a negative and insignificant effect on firm value. The t-value obtained is -0.850 with a significance level of 0.412 > 0.05.

The results of this study are not in line with the research conducted by (E. Yulianti et al., 2022), which stated that profitability has a positive and significant effect on firm value. However, these results are in line with the research conducted by (Rachmadevi et al., 2023), which stated that profitability does not have a significant effect on firm value. This is because investors pay more attention to long-term prospects compared to short-term profits, so fluctuations in ROA do not significantly affect firm value in the market.

3. The Simultaneous Effect of Capital Structure (DER) and Profitability (ROA) on Company Value (PBV) in PT Bank Rakyat Indonesia Tbk 2010-2025

Based on the F test, it was found that together (simultaneously), the DER and ROA variables have a significant effect on firm value. This result is supported by an F calculated value of 9.900, which is greater than the F table (3.89) with significance 0.003 < 0.05. Variable Contribution: An R Square value of 0.623 indicates that the combination of

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capital structure and profitability can explain 62.3% of the variation in firm value. The remaining 37.7% is explained by other external factors outside the research model, such as macroeconomic conditions, monetary policy, and global capital market sentiment.

The results of this study are in line with the research conducted by (Nufyar & Mulyani, 2023) which states that simultaneously, capital structure and profitability have a significant effect on firm value. This shows that the combination of a company's ability to manage debt and generate profit becomes an important factor in increasing firm value.

However, there are studies that are not in line, such as the one conducted by (Wari & Trisnaningsih, 2021) stating that simultaneously the variables of capital structure and profitability do not have a significant effect on firm value.

CONCLUSION

Based on the results of data analysis and discussion regarding the influence of capital structure and profitability on the company value at PT Bank Rakyat Indonesia (Persero) Tbk for the period 2010–2024, the following conclusions can be drawn:

1. The Influence of Capital Structure (X1) on Company Value (Y). Capital structure, proxied by the Debt to Equity Ratio (DER), has been proven to have a positive and significant effect on company value (PBV).
2. The Influence of Profitability (X2) on Company Value (Y). Profitability, proxied by Return on Assets (ROA), has a negative and insignificant effect on company value (PBV).
3. The Influence of Capital Structure (DER) and Profitability (ROA) significantly affects Company Value (PBV).

SUGGESTIONS

In relation to the research results that have been obtained, there are several strategic recommendations that can be considered:

1. For the Management of PT. Bank Rakyat Indonesia, it is expected that the company continues to optimize the use of capital structure through productive debt management, especially to support credit expansion in strategic sectors such as MSMEs in order to maintain investor confidence. Management needs to improve asset management effectiveness so that the consistent increase in total assets can be accompanied by more stable and significant profit productivity for the company's value.

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2. For Future Researchers, it is expected that the next researchers can add other relevant independent variables, such as dividend policy, company size, or liquidity ratio (Current Ratio) to provide a more comprehensive picture of the factors that affect firm value. Expanding the scope of research objects to other banking sectors to compare whether the phenomenon of the significant positive influence of DER on firm value also occurs in banks of other categories.

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