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The Effect of Debt Policy on Firm Value with Profitability as a Moderating Variable: Evidence from PT Bank Rakyat Indonesia Tbk

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ABSTRACT

This study examines the effect of debt policy on firm value, with profitability serving as a moderating variable, at PT Bank Rakyat Indonesia (Persero) Tbk. Debt policy constitutes an essential component of a firm's financing strategy aimed at maximizing firm value. However, excessive dependence on debt may increase financial obligations and create liquidity pressures, thereby presenting challenges for effective corporate financial management. This research employed a quantitative approach using secondary data obtained from the annual financial statements of PT Bank Rakyat Indonesia (Persero) Tbk published by the Indonesia Stock Exchange. The research sample was selected using purposive sampling based on predetermined criteria to ensure the suitability of the data analyzed. Structural Equation Modeling (SEM) with SmartPLS software was utilized to examine the relationships among the variables in the proposed model. The findings indicate that debt policy does not significantly influence firm value, as reflected by a P-value of 0.858 and a t-statistic of 0.178. Likewise, profitability has no significant effect on firm value, evidenced by a P-value of 0.999 and a t-statistic of 0.002. Moreover, profitability fails to moderate the relationship between debt policy and firm value, as indicated by a P-value of 0.965 and an interaction coefficient of -0.076. The coefficient of determination (R^2) of 0.078 suggests that debt policy and profitability account for only 7.8% of the variation in firm value, while the remaining 92.2% is explained by other factors outside the research model. Therefore, debt policy and profitability do not significantly affect firm value.

ARTICLE INFORMATION

Keywords:
Debt Policy; Company Value; Profitability,

Introduction

A company can be said to have several goals to achieve, including achieving profit. A company can also aim to enrich its owners by maximizing its value. If a company is able to create increasing value, it indicates that the company offers high levels of welfare for investors. A high value also convinces the market that the company is highly sought after by investors, not only now but also in the future. Company value serves as a bridge between the interests of investors and management. For investors, it directly reflects the return on their investment. For management, it is a performance report that determines the company's compensation, reputation, and strategic sustainability.

Based on Law Number 10 of 1998 concerning amendments to Law Number 7 of 1992 concerning banking as a business entity that collects funds from the public in the form of deposits and distributes them to the public in the form of credit and other forms to improve the standard of living of the people. In the modern context, banks play a vital role in the progress and growth of a country's economy. The function of banks in the economy is not only that of financial intermediaries but also involves a complex role. (Trian Fisman Adisaputra, Mariam Makmur, 2023)

Debt policy is one of the determinants of a company's value. Debt policy is also a policy adopted by a company to fund operational needs by dividing long-term debt by total debt and capital, or funds obtained from external parties in the form of loans or bonds. (Tarigan, 2024)

Profitability also determines a company's value, or a comparison of a company's ability to generate profits from revenue related to sales, assets, and equity based on specific measurements. Measurements can be made for several companies over a specific time period, including both increases and decreases, and the causes of these changes. (Fitriana, 2024)

Table 1. PT Bank Rakyat Indonesia Savings Data

TAHUN	DER	PBV	ROA
2015	6,764944903	2540466,00	0,028928
2016	5,890590391	1980043,00	0,026133
2017	5,729998849	2682913,00	0,025789
2018	5,999843341	2423306,00	0,024997
2019	5,666879483	2599436,00	0,024291
2020	6,39456494	2572900,00	0,012343
2021	4,751109067	2134804,00	0,018328
2022	5,149201736	2467742,00	0,027555
2023	5,209099536	2741711,00	0,030751
2024	5,166618162	1913310,00	0,030429
2025	5,452413888	1676145,00	0,026755

Based on the data presented in the table, the Debt to Equity Ratio (DER) of PT Bank Rakyat Indonesia (Persero) Tbk during the 2015–2025 period showed fluctuating values ranging from 4.751 to 6.765 times. The highest DER occurred in 2015 at 6.765 times, meaning that every Rp1 of equity the company held was supported by Rp6.765 in liabilities. Meanwhile, the lowest DER occurred in 2021 at 4.751 times, indicating that every Rp1 of equity was supported by Rp4.751 in liabilities. This condition indicates that BRI continues to utilize liability-based funding sources in a relatively large amount compared to equity, although the level of use has changed during the study period.

Company value, proxied by Price to Book Value (PBV), shows values ranging from 1.676 to 2.742 times. The highest PBV occurred in 2023 at 2,742 times, meaning the market valued BRI shares at 2,742 times their book value. Conversely, the lowest PBV occurred in 2025 at 1,676 times, indicating that every Rp1 of the company's book value was valued by investors at Rp1,676 in the market. This data demonstrates that investors' assessments of the company's value change over time in line with the company's performance and capital market conditions.

Profitability, as measured by Return on Assets (ROA), ranged from 1.23% to 3.08%. The highest ROA was recorded in 2023 at 3.08%, meaning that every Rp100 of assets the company owned generated a profit of Rp3.08. Conversely, the lowest ROA occurred in 2020 at 1.23%, indicating that every Rp100 of assets generated only Rp1.23 in profit. In general, the data shows that BRI's ability to utilize assets to generate profits decreased until 2020, then improved in the following period, although it experienced a slight decline again at the end of the study period.

Banks are required to grow and maintain their growth rate through high profitability by structuring the investment composition within the bank portfolio by selecting a combination of securities, bonds, and money market instruments. (Darwis, 2019)

A strong third-party funding structure is also a crucial indicator of a company's financial performance, particularly in generating profitability. The greater the funds raised, the greater the bank's ability to disburse credit and generate interest income. Therefore, increased deposits have the potential to strengthen a company's bottom line, ultimately increasing its value in the capital market.

Asril previously conducted research on the effect of debt policy on firm value, with profitability as a moderating variable. His research results showed that testing using profitability as a moderating variable indicated that dividend policy had a probability value of 0.70, less than 0.05, or (0.70 > 0.05). (Asril, 2021)

This is also in line with research by Nur Rizki Affrila S. The results of the study showed

that debt policy, as measured by *the Debt to Equity Ratio (DER)*, and profitability, as measured by *Return on Equity (ROE),* significantly influenced company value, as measured by *Price to Book Value (PBV)*. However, Niken Aprilia's research yielded different results, where the study, entitled "The Influence of Debt Policy and Profitability on Firm Value," with Institutional Ownership as a Moderating Variable, shows that debt policy significantly influences firm value, with a negative coefficient. (Rizki, 2020)

The objectives of this study are: (1) to analyze the effect of debt policy (DER) on firm value (PBV); (2) to test the effect of profitability (ROA) on PBV; and (3) to evaluate the role of ROA in moderating the DER-PBV relationship using moderation regression on PT Bank Rakyat Indonesia financial statement data. The significant contribution of this study includes specific empirical evidence for BBRI that can be a guide for management in optimizing the sharia-conventional capital structure, as well as enriching the sharia financial management literature with a focus on ROA moderation.

Therefore, it is important to determine whether the debt policy implemented by the company has been able to contribute to increasing company value and the extent to which profitability plays a role in moderating this relationship. This research is relevant because PT Bank Rakyat Indonesia (Persero) Tbk is one of the largest banks in Indonesia with high fundraising and credit distribution activities. Therefore, decisions regarding funding structure and profit-generating ability are important factors that can influence company value in the eyes of investors.

Literature review

Trade-Off Theory

This theory explains that corporate financing decisions, particularly in determining the proportion of debt and equity, influence firm value. Modigliani and Miller argue that under non-ideal market conditions, the use of debt can yield benefits in the form of tax shields that can increase a firm’s value. The optimal capital structure can be determined by balancing the benefits of debt (the tax shield benefit of leverage) against the costs of financial distress and agency problems. Thus, the trade-off model cannot accurately determine the optimal capital structure because it is difficult to accurately anticipate the use of debt. (Sudianto et al., 2022)

This theory serves as the basis for formulating H1 regarding the effect of debt policy on firm value. If a firm is able to achieve an optimal capital structure, then debt policy is expected to increase firm value.

Modigliani-Miller (MM)

The capital structure theory was pioneered by Modigliani and Miller (MM) in 1958, who argued that "capital structure is irrelevant or does not affect firm value." This tax-free MM theory does not distinguish between companies with debt or shareholders with debt in tax-free and perfect market conditions. In its development in 1963, MM included tax elements, making capital structure relevant, as interest paid due to using debt can reduce taxable income. (Hidayat, 2022)

Signaling Theory

This theory states that parties involved in a company do not have the same information regarding the company's prospects and risks. Certain parties have more information than others; for example, managers have more complete information about the company's condition than outsiders. If managers believe the company's prospects are good and therefore want the stock to increase, they will communicate this to investors. (Arniwita, 2021)

This theory serves as the foundation for Hypothesis 2, which states that profitability influences firm value. Furthermore, profitability is also viewed as capable of reinforcing investors' perceptions of the firm's debt policies, thereby underpinning Hypothesis 3 regarding the moderating role of profitability.

Agency Theory

This theory was proposed by Michael C. Jensen and William H. Meckling (Horne and Wachowicz, 1998 in Saidi), which states that management is an agent of shareholders, as the owners of the company. Shareholders expect agents to act in their interests and therefore delegate authority to agents. Agency theory is a theory that explains the problems that occur between companies and creditors. Companies are considered to make investments that are too risky and can harm creditors. Costs incurred by the company due to debt and involving the relationship between creditors and shareholders are agency costs. Agency theory is the relationship between the principal and the agent, where the principal is the company owner, while the agent is the company manager. Agency theory is based on three assumptions: the assumption of basic human nature, the assumption of organizational structure, and the assumption of information. (Arniwita et al., 2021)

In this study, Agency Theory is used to explain how debt policy can affect firm value and how profitability can strengthen or weaken that relationship by reducing agency conflicts.

Debt Policy

Debt policy is a policy a company will adopt to fund its operational needs, namely the result of dividing long-term liabilities by the total of long-term liabilities and equity. (Santika Dewi, 2019)

The level of debt usage will incur fixed costs in the form of interest expenses, which can increase business risk. Corporate taxes can be used as a justification for using debt because interest costs can reduce tax calculations and can lower actual tax costs. The use of debt as a financing policy implemented by companies is a source of company growth and can be interpreted by outsiders as a company's ability to pay future obligations or the existence of business risks in the company. (Ningrum, 2018)

Company Values

Corporate value reflects the company's condition. Corporate value is the selling price of a company in the capital market. Corporate value is a way of maximizing corporate objectives by increasing shareholder wealth. Corporate value is the price a potential buyer is willing to pay for a sale; the higher the value, the greater the wealth the company's owners will receive. (Dentika & Djabir, nd)

Profitability

Profitability reflects the extent to which a company is able to utilize its working capital to generate profits. This capability plays a crucial role in ensuring that the company does not experience difficulties in meeting its short-term and long-term debt obligations, as well as in distributing dividends to investors. In other words, the greater the profit generated, the more likely the company is to distribute dividends to shareholders. (Yaningwati et al., 2015)

A profitability ratio is a ratio used to measure a company's ability to generate profits from its normal business activities. The profitability ratio used in this study is return on assets (ROA). This ratio was chosen because it can describe a company's profit level and is a measure of its performance over a specific period. (Wahyuni, Abdul Hamid, 2023)

Hypothesis Development

Debt policy is a policy adopted by a company to fund its operational needs, namely, the result of dividing total liabilities by equity. According to the Pecking Order Theory, the optimal capital structure is derived from the sequence of a company's financing decisions. The first order of capital structure is to use internal funds derived from retained earnings or equity, followed by using external funds, prioritizing debt as the primary option and equity securities as the last option. This theory also states that companies with high

profitability levels actually have low debt levels, because these companies have abundant internal funding sources. From this statement, it can be concluded that profits will increase if a company has less debt, due to greater profits or profitability. Based on Pecking Order Theory, the less debt used to manage a company, the greater the company's value. (Aprilia, 2023)

(Rahmansyah, 2024) The results of his research indicate that debt policy has no effect on company value. This indicates that the higher the leverage, the greater the company's debt, so with greater debt, the company's risk also increases. This results in a decline in company value, as higher leverage will lead to financial distress, thus decreasing the company's value. Thus, debt policy negatively affects company value. Therefore, the higher a company's debt policy, the lower its value:

H1 = Debt policy has an impact on the company value of PT Bank Rakyat Indonesia.

A high level of profitability reflects a company's strong performance and efficient management of its resources. This is an important indicator for investors in assessing a company's future prospects. Companies with high profitability tend to have greater market appeal, which can increase their value (Eugene F. Brigham & Joel F. Houston, 2011).

This aligns with Signaling Theory, which states that information about a company's financial performance, including profitability, can serve as a signal to investors when making investment decisions. High profitability will send a positive signal about the company's condition, thereby increasing its share price and value.

The results of this study align with the author's initial hypothesis and the research conducted by Wijaya & Sedana (2015), which revealed that profitability has a positive effect on firm value. (Dwiastuti et al., 2019) . Based on this description, the following hypothesis is formulated:

H2 = Profitability has an effect on the company value of PT Bank Rakyat Indonesia.

Debt policy indicates the proportion of a company's debt holdings compared to its equity. Debt policy has the potential to reduce investor confidence in the company's value, requiring the company to demonstrate improved financial performance, as measured by profitability. (Firdarini & Si, 2023) High profitability will restore investor confidence in the company's debt policy and demonstrate the company's success in managing its funding sources, particularly debt. Therefore, the hypothesis proposed in this study is:

H3 = Profitability moderates the effect of debt policy on firm value.

Method

In this study, the researcher used a quantitative approach. The sample was selected using purposive sampling based on the availability of complete financial reports. The sampling criteria in this study were:

a) The annual financial report of PT Bank Rakyat Indonesia (Persero) Tbk, which has been audited and published through the Indonesia Stock Exchange (IDX).

b) Financial reports that present complete data related to research variables, namely debt policy proxied by *Debt to Equity Ratio (DER),* company value proxied by *Price to Book Value (PBV),* and profitability proxied by *Return on Assets (ROA).*

c) Financial reports are available in full and are suitable for explanation according to research needs.

This study uses secondary data, namely data obtained from the 10-year financial statements of PT Bank Rakyat Indonesia (BBRI) Tbk, officially published on the Indonesia Stock Exchange (IDX) and on the official website of PT Bank Rakyat Indonesia (BBRI) Tbk. Therefore, the number of observations in this study is 10. Data processing and analysis were performed using Smart PLS software, using spreadsheets to organize and clean the data.

Variables were measured using the following indicators:

The Debt-to-Equity Ratio (DER) is a measurement used to assess a company's ability to meet its debt obligations using its existing capital. This formula can be used to measure the ratio. $\mathrm{X} = \frac{Total\ Debt}{\text{Total Equity}}$

Price to Book Value (PBV) is a measure that compares the market price to the book value of a stock. If the Price to Book Value (PBV) is greater than 1, it indicates that the company's stock market value is higher than its book value, indicating good performance. This formula can be used to measure this. $\mathrm{Y} = \frac{\text{Stock Market Prices}}{Book\ Value}$

Return on Assets (ROA) is a ratio used to assess a company's ability to generate profits using its resources within a given period, using assets, capital, or sales. This formula can be used to measure this. $\mathrm{Z} = \frac{Net\ profit}{Total\ Assets}$

The relationship between variables was tested using the t-test, coefficient of determination (R^2), path coefficient test, and moderated regression analysis (MRA) to assess the moderating effect of profitability.

This method was chosen to provide a more comprehensive picture of the influence

of debt policy on firm value and how profitability can strengthen or weaken this relationship.

Results

Outer Model Test

Measurement model evaluation is necessary to assess the indicator variables that reflect a construct. Empirical analysis is used to assess the construct's validity and reliability, reflecting the latent variable parameters based on theory and empirical studies.

Outer Weights Test

1. Outer Weights Test of Debt Policy Variables

Table 2. Outer Weights Test of Debt Policy Variables

Variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)
DER <- DEBT POLICY	1,000	1,000	0.000

(Source: SmartPLS, https://www.smartpls.com)

Table 2 presents the results of the outer weights analysis conducted using Partial Least Squares (PLS) for the Debt Policy variable. The table shows that the DER, a formative indicator, has an original sample value of 1.000, a sample mean value of 1.000, and a standard deviation of 0.000. This indicates that the DER indicator makes a very strong contribution to the Debt Policy construct, thus, it can be stated that the indicator is valid as a measurement ratio for the Debt Policy variable.

2. Outer Weights Test of Firm Value Variable

Table 3. Outer Weights Test of Firm Value Variables

Variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)
PBV <- COMPANY VALUE	1,000	1,000	0.000

(Source: SmartPLS, https://www.smartpls.com)

Table 3 presents the results of the estimated outer weights analysis using the Partial Least Squares (PLS) method for the Firm Value variable indicators. The table shows that PBV, which is a formative indicator, has a P value < 0.05, and the original value

is 1, which means that all construct indicators are valid as measurement ratios of the Company Value variable.

3. Combined Variable Outer Weights Test

Table 4. Combined Outer Weights Test of Variables

Variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)
PROFITABILITY x DEBT POLICY -> PROFITABILITY x DEBT POLICY	1,000	1,000	0.000

(Source: SmartPLS, https://www.smartpls.com)

Table 4 presents the results of the outer weights analysis using the Partial Least Squares (PLS) method for the interaction variable indicators of Profitability and Debt Policy. The table shows that the Profitability x Debt Policy indicator, which is a formative indicator, has an original sample value of 1.000, a sample mean value of 1.000, and a standard deviation of 0.000. This indicates that the indicator provides a very strong contribution to the interaction construct of Profitability and Debt Policy, so it can be stated that the indicator is valid as a measurement ratio of the interaction variable of Profitability and Debt Policy.

4. Outer Weights Test of Profitability Variables

Table 5. Outer Weights Test of Profitability Variables

Variables	Original sample (O)	Average sample (M)	Standard deviation (STDEV)
ROA <- PROFITABILITY	1,000	1,000	0.000

(Source: SmartPLS, https://www.smartpls.com)

Table 5 illustrates the results of the outer weights evaluation using the Partial Least Squares (PLS) method for the profitability variable indicators. The table shows that ROA, a formative indicator, has a P value <0.05 and an original sample value of 1, indicating that all construct indicators are valid as measurement ratios for the profitability variable.

Multicollinearity Test

The multicollinearity test is conducted to identify whether a strong correlation exists among variables within a Partial Least Squares (PLS) model. When a high correlation

occurs among the independent variables, the relationship between the independent variables and the dependent variable may become distorted. To examine multicollinearity, the tolerance value and the VIF (Variance Inflation Factor) value can be seen. If the VIF value is not more than 10 and the tolerance value is not less than 0.1, the model can be said to be free from multicollinearity.

Table 6. Results of Multicollinearity Test

Variables	VIF
DEBT POLICY -> COMPANY VALUE	1,020
PROFITABILITY -> COMPANY VALUE	1,028
PROFITABILITY x DEBT POLICY -> COMPANY VALUE	1,028

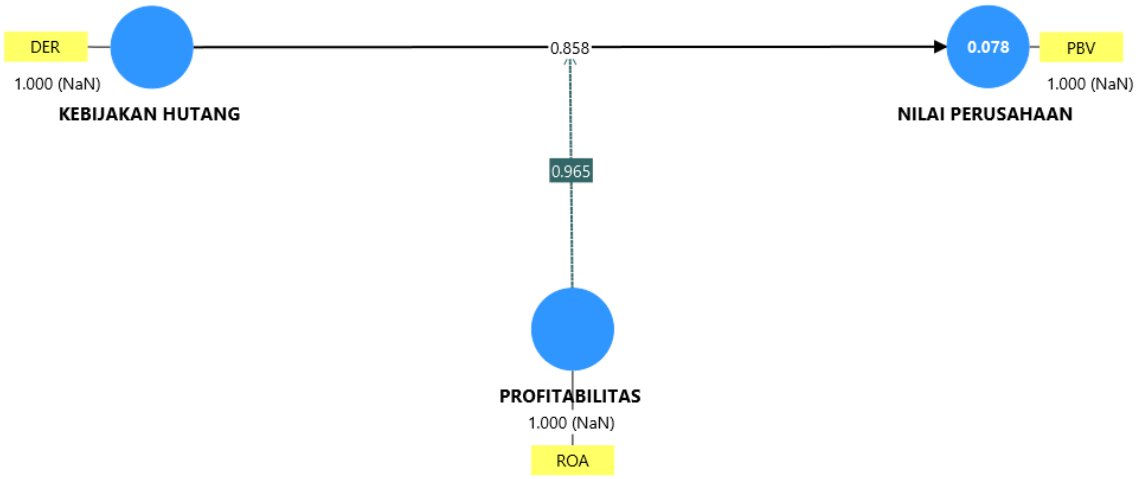
(Source: SmartPLS, https://www.smartpls.com)

Table 6 presents the results of the multicollinearity assessment using the Variance Inflation Factor (VIF) values. The findings reveal that the VIF value for the Debt Policy on Firm Value variable is 1.020, Profitability on Firm Value is 1.028, and the interaction between Profitability × Debt Policy and Firm Value is 1.028. Since all VIF values are lower than the threshold value of 10, and the tolerance values are greater than 0.1, it can be concluded that the research model does not experience multicollinearity issues.

Structural Model or Inner Model Test

The structural model test (inner model) describes the structural model (inner model) to see the relationship between latent variables based on substantive theory.

Structural Model Drawing



(Source: SmartPLS, https://www.smartpls.com)

The PLS structural evaluation begins by examining the R-square of each dependent latent variable. The table below shows the estimated R-squared using PLS. R-square is used as a metric to measure the impact of the dependent variable on the independent variable. R-square also indicates the strength or weakness of a research model, with an R-square value of 0.67 considered strong, 0.33 considered moderate, and 0.19 considered weak (Ghozali and Latan, 2015).

a) Coefficient of Determination Test (R-Square)

Table 7. R-Square of Variable Constructs

Variables	R-square	Adjusted R-square
COMPANY VALUES	0.078	-0.317

(Source: SmartPLS, https://www.smartpls.com)

Based on Table 7, the analysis results using SmartPLS, the R-square value for the Firm Value variable construct is 0.078 with an Adjusted R-square value of -0.317. The R-square value of 0.078 indicates that the independent variables in this research model are only able to explain 7.8% of the variation in the Firm Value variable, while the remaining 92.2% is explained by other variables outside the research model. An R-square value of 0.25 is categorized as weak, 0.50 is categorized as moderate, and 0.75 is categorized as strong. Thus, the R-square value of 0.078 in this study is included in the very weak category, which indicates that the model's predictive ability in explaining the Firm Value variable is very low.

b) Hypothesis Testing

Hypothesis testing uses a full model analysis of Structural Equation Modeling (SEM) by observing the calculated path coefficients In internal model estimation, the hypothesis is considered accepted if the T-statistic exceeds the critical value of 1.96 in the T-table. The significance of the estimated parameters can provide insight into the relationships among the study variables. The criterion for rejecting or accepting the hypothesis mentioned earlier is a p-value < 0.05. This indicates that the alternative hypothesis is considered accepted.

Direct Effect Testing

Table 8. Hypothesis Testing Based on Path Coefficient

Variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values	Information
DEBT POLICY -> COMPANY VALUE	0.250	0.204	1,404	0.178	0.858	**Rejected**

(Source: SmartPLS, https://www.smartpls.com)

Based on the results of hypothesis testing using SmartPLS, it shows that the Debt Policy variable has a significance level (P value) of 0.858, which is greater than 0.05. The T-statistic value obtained is 0.178, which is smaller than the T-table value of 1.96, which indicates that the effect of Debt Policy on Company Value is not statistically significant. Although the parameter coefficient value (original sample) of 0.250 indicates a positive direction of influence on the Company Value variable, because the significance value is greater than 0.05 and the T-statistic value is less than 1.96, the hypothesis stating that there is a significant effect of Debt Policy on Company Value is rejected in this study.

Variables	Original sample (O)	Average sample (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values	Information
PROFITABILITY -> COMPANY VALUE	0.002	-0.121	1,093	0.002	0.999	**Rejected**

(Source: SmartPLS, https://www.smartpls.com)

Based on the results of hypothesis testing using SmartPLS, it shows that the Profitability variable has a significance level (P value) of 0.999, which is greater than 0.05. The T-statistic value obtained is 0.002, which is smaller than the T-table value of 1.96, which indicates that the effect of Profitability on Company Value is not statistically significant. Although the parameter coefficient value (original sample) of 0.002 indicates a positive direction of influence on the Company Value variable, because the significance value is much greater than 0.05 and the T-statistic value is much smaller than 1.96, the hypothesis stating that there is a significant effect of Profitability on Company Value is rejected in this study.

Moderation Effect Testing

Table 9. Hypothesis Testing Based on Moderation Effect

Variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P value (P values)	Information
DEBT POLICY x PROFITABILITY -> COMPANY VALUE	-0.076	-0.172	1,750	0.043	0.965	**Rejected**

(Source: SmartPLS, https://www.smartpls.com)

Based on the results of hypothesis testing using SmartPLS, it shows that the debt policy variable moderated by profitability has a significance level of 0.965, which is greater than 0.05. The coefficient for this parameter is -0.076 and is negative. This indicates that if

the debt policy variable, moderated by profitability, increases by one unit, the firm value variable will decrease by 0.076, assuming all other independent variables remain constant. This negative coefficient indicates a non-linear relationship between the debt policy variable and the firm value variable, moderated by profitability, suggesting a tendency for firm value to decrease. However, since the p-value exceeds 0.05, this relationship is not statistically significant. This means that H3 is rejected, so it can be said that debt policy does not have a significant effect on firm value, moderated by profitability.

Discussion

The Effect of Debt Policy on Firm Value with Profitability as a Moderating Variable at PT Bank Rakyat Indonesia. Based on the results of the data analysis in this study, the following findings were obtained:

The Impact of Debt Policies on Firm Value

Based on the results of hypothesis testing using the Partial Least Squares (PLS) method, a P-value of 0.858 was obtained greater than the significance level of 0.05 and a t-statistic of 0.178 less than 1.96. These results indicate that debt policy does not have a significant effect on firm value. Although the path coefficients indicate a positive relationship, the resulting effect is not strong enough to explain changes in the firm value of PT Bank Rakyat Indonesia (Persero) Tbk during the study period. This suggests that investors do not consider debt levels as a primary factor in evaluating the firm. Thus, the first hypothesis (H1), which states that debt policy affects firm value, is rejected.

The findings of this study are consistent with Rahmansyah's research, which found that debt policy has no effect on firm value. The results of this study also indicate that an increase in debt utilization is not always met with a positive market response if it is not accompanied by an improvement in the company's performance. (Rahmansyah, 2024)

These findings are supported by the Modigliani-Miller Theory (MM Theory), which states that capital structure does not always affect a company's value. The theory explains that a company's value is determined more by its ability to generate cash flow and profits than by the composition of its debt and equity.(Hidayat, 2022)

The Impact of Profitability on Firm Value

The results of the second hypothesis test show that profitability has a P-value of 0.999 and a t-statistic of 0.002. These values indicate that profitability does not have a significant effect on firm value; therefore, the second hypothesis (H2) is rejected. This suggests that the company's profit levels were not sufficient to improve investors' perceptions of firm value during the study period.

These findings are consistent with the research by Mardiana et al., who found that profitability does not have a significant effect on firm value in state-owned commercial banks listed on the Indonesia Stock Exchange.(Mardiana, 2024)

According to Signaling Theory, high profitability should send a positive signal to investors regarding the company's future prospects. A company that increases its debt can be viewed as one that is confident in its future prospects. Investors are also expected to pick up on this signal, recognizing that the company has a bright future.(Arniwita, 2021)

However, in this study, the signal was not yet strong enough to increase the company's value.

The Role of Profitability in Moderating the Impact of Forestry Policies on Firm Value

The results of the moderation test indicate that profitability does not moderate the relationship between debt policy and firm value. This is evidenced by a P-value of 0.965, which is greater than 0.05, with an interaction coefficient of -0.076. Thus, the third hypothesis (H3), which states that profitability moderates the effect of debt policy on firm value, is rejected. This means that the level of a firm's profitability neither strengthens nor weakens the relationship between debt policy and firm value.

The results of this study are consistent with Kiptiyah's research, which found that profitability does not moderate the effect of debt policy on firm value. These findings suggest that profitability does not yet serve as a factor that strengthens the relationship between a firm's capital structure and its value.(Kiptiyah, 2023)

Furthermore, a study (Rahmansyah, 2024) also indicates that the moderating variable used in the study namely, dividend policy failed to moderate the relationship between debt policy and firm value. This finding reinforces the hypothesis that the impact of debt policy on firm value tends to be influenced by other factors beyond the moderating variable employed.

The results of this study do not strongly support Agency Theory and Pecking Order Theory. According to Agency Theory, companies with high profitability should be able to use debt as a tool to control managerial behavior, thereby increasing firm value. Based on Agency Theory, companies with high profitability should use debt to reduce the misuse of funds by managers who do not prioritize the interests of shareholders.(Hardiningsih & Oktaviani, 2012)

Conclusion

This study aims to analyze the effect of debt policy on firm value, with profitability as a moderating variable. The purpose of this study is to determine whether debt policy

and profitability affect firm value and whether profitability is able to moderate this relationship. This study uses a quantitative method with the Partial Least Squares (PLS) approach through the SmartPLS application. The results show that debt policy and profitability do not significantly influence firm value, and profitability is unable to moderate the relationship between debt policy and firm value. Furthermore, the low coefficient of determination indicates that the model's ability to explain variations in firm value is still limited. Limitations in this study lie in the low R-square value and the limited number of variables used, so it is not able to describe the factors that influence firm value comprehensively. Therefore, further research is recommended to add other variables such as firm size, firm growth, and external factors, as well as to use more diverse methods or analysis models to make the research results more robust and representative.

Companies are encouraged not to focus solely on managing debt structures and improving profitability in their efforts to increase corporate value. They need to consider other factors that could potentially influence corporate value, such as operational efficiency, asset growth, good corporate governance, dividend policies, service innovation, and effective risk management. Additionally, companies need to improve the transparency of information provided to investors in order to build market confidence and enhance positive perceptions of the company's performance.

For investors, it is hoped that this study can serve as a basis for not relying solely on debt policy and profitability when making investment decisions regarding PT Bank Rakyat Indonesia (Persero) Tbk. The results of the study indicate that these two variables are not yet capable of significantly explaining changes in the company's value. Therefore, investors need to consider other factors such as the company's growth prospects, macroeconomic conditions, investment risk levels, management quality, revenue stability, and the overall development of the banking industry before making investment decisions. By considering these various aspects, it is hoped that investors can make more rational and optimal decisions.

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