

THE INFLUENCE OF INSTITUTIONAL OWNERSHIP AND PROFITABILITY ON COMPANY VALUE AT PT BISI INTERNASIONAL TBK

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ABSTRACT

This research aims to determine the influence of Institutional Ownership and Profitability on Company Value at PT Bisi Internasional Tbk, both partially and simultaneously. The types of research used are quantitative and descriptive research. Data collection techniques were taken from the official website of PT Bisi Internasional Tbk during the 2011-2021 period. The data analysis method used in this research is multiple linear regression with SPSS 25.00. The results of hypothesis testing show that institutional ownership has a significant effect on company value, and profitability has a significant effect on company value. The results of simultaneous hypothesis testing show that Institutional Ownership and Profitability significantly affect Company Value, with a determination value of 71.3%. In comparison, the remaining 28.7% is influenced by other variables not examined in this research.

Keywords: Institutional Ownership, Profitability, Company value

1. INTRODUCTION

The development of industrialization and economic conditions in the modern era have experienced significant ups and downs in recent times. Competition in the business world is currently increasing. It shows the ability of each company to compete healthily at a highly competitive level, one of which is seen in the agricultural sector. (Radiansyah et al. 2023; Yunus 2016). The agricultural sector is still one of the spearheads of Indonesia's solid and shock-resistant economic defence, even though the war between Russia and Ukraine caused the COVID-19 virus outbreak and geopolitical problems (Yananda et al. 2022). This indicates that the agricultural sector and various companies operating in this sector are still large contributors to Indonesia's GDP and can simultaneously boost the value of companies in the agricultural sector in Indonesia (Pangestuty & Prasetya, 2021).

A company can have good value if its performance is also good. The high value of the company will usually bring prosperity to its shareholders. The higher the company's value, the more investors will invest. Company value results from investors' perceptions of the company's level of success, which is reflected in its share price on the Capital Market (Sutama & Lisa, 2018; Yusuf, 2020). A high share price will increase company value and strengthen market and investor confidence in current performance and the company's prospects (Meivinia 2018).

One standard method investors use to measure company value is the price-to-book value (PBV) financial ratio. PBV is a valuation method that compares share prices with book value per share, calculated from total equity divided by the number of outstanding shares (Dwiastuti & Dillak, 2019; Lulukiyah, 2011). Companies considered good usually have a PBV ratio above one, indicating that the share market value is higher than the book value. A company's high value will generally positively impact market sentiment towards it in the capital market, attracting investors to invest in it (Astutik, 2017). Investors usually consider a company's share price movement in the capital market when assessing the company's potential. Apart from share prices, several other indicators influence investors' decisions to invest their capital, such as the company's ability to increase profits or profitability from its business activities. (Arievia 2017).

Profitability is a financial measure generally used by investors or company management to assess a company's ability to create profits over a certain period. It reflects management's effectiveness in carrying out its operations. (Ikhwal 2016; Yusuf and Suherman 2021). Profitability assessments often use Return On Assets (ROA) as the leading indicator. ROA is a ratio that describes how efficiently a company generates profits by utilizing its total assets (Ret. 2020).

Apart from that, corporate governance also has a significant impact on company value. One of the challenges that often arises in efforts to increase company value is the conflict between management and shareholders, often referred to as an agency problem (Suryaningtyas & Rohman, 2019). Various methods can be applied to overcome this conflict, one of which is through control from external parties, such as institutional ownership. These institutions have significant interests in investments, including ownership of company shares. Thus, they often transfer responsibility for managing the company's investments to specialized divisions. Institutional ownership refers to the

percentage of share ownership owned by legal entities or financial institutions, such as insurance companies, pension funds, mutual funds, banks and other institutions. (Hery 2023)

Research findings Anggita, Rinofah, and Sari (2021) show that factors such as institutional ownership, profitability, and investment decisions positively impact company value, while the debt-equity ratio has a negative impact. On the other hand, the results of research by Azharin and Ratnawati (2022) found that institutional ownership does not affect firm value. However, dividend policy and debt policy have a positive impact. Other research conducted by Syahputra and Kurnia (2021) also found different results, where institutional ownership did not affect company value, dividend policy had a positive impact, and profitability had a negative impact. Given the differences in findings from these studies, new research is needed to obtain more definitive conclusions and contribute to academic understanding. Therefore, researchers intend to conduct new research using PT. BISI International Tbk. as a research object, a company operating in the Agricultural Food Products industry.

From the data recapitulation results, PT BISI International's institutional ownership from 2012 to 2020 was relatively stable at around 54.07. 2021 there was a slight increase to 54.13, which remained stable until 2022. As measured by Return on Assets (ROA), profitability fluctuates yearly. 2012 ROA was 9.62, then fell to 8.15 in 2013 and 7.42 in 2014. However, there was an increase in 2015 to 8.83 and a significant increase in 2016 to 12.32. The increase continued until 2018, with a figure of 15.37, but experienced a slight decline in 2019 (14.60). In 2020, there was a significant decline to 10.43, then fell again to 9.45 in 2021 and rose again in 2022 to 12.16. Furthermore, the company value measured by PT BISI International's price-to-book value (PBV) experienced fluctuations between increases and decreases from 2012 to 2022. 2012 PBV reached a high figure of 213.39, then fell to 171.90 in 2013, and very significant in 2014 to 113.84. However, there was an increase in 2015 to 146.91, and a significant increase in 2016 reached 223.10. The increase continued until 2017, with a figure of 276.23, but fell significantly in 2018 (244.76). Furthermore, PBV continued to decline in the following years, falling to 217.54 in 2019, 135.98 in 2020, 125.69 in 2021, and 109.42 in 2022.

This research will involve empirical analysis of variables such as institutional ownership, profitability measured by Return On Assets, and company value measured by Price to Book Value at PT. BISI International Tbk. during the 2012-2022 period. This empirical data will provide a solid foundation for further research on the factors that influence company value, especially in the agricultural food products industry context.

2. RESEARCH METHODS

This research adopts a quantitative descriptive method to describe and explain the results of calculating company financial data in financial reports. The data is contained in the Financial Report of PT Bisi Internasional Tbk for the 2012-2022 period. In this research, the object studied is PT. Bisi Internasional Tbk, a public company operating on Jl. Sunter Mas Utara G2 No.23, RT.16/RW.8, Sunter Jaya, Tanjung Priok, North Jakarta, Jakarta 14350. Data was collected online via the official website of the Indonesian Stock Exchange (<http://www.idx.co.id/>) and the company's official website (<https://bisi.co.id/>) over the 11-year study period.

The population of this research is all financial report data of PT Bisi Internasional Tbk for the 2012-2022 period. Meanwhile, the sample is a sub of the elements chosen to be studied, including a summary of stock prices, profit and loss financial statements, trial balance, and notes to financial statements for the same period. Data collection techniques are carried out through research on the required data using several methods, such as library research, internet research, and documentation. Library research is carried out by reading books, literature, articles and journals relevant to the research topic. Internet research is carried out by searching for data via the Internet using searching, browsing and downloading relevant data sources.

Meanwhile, documentation was carried out by recording data downloaded from the official website of the Indonesia Stock Exchange and the official website of PT Bisi Internasional Tbk. The data analysis method used is a case study approach using quantitative research methods. Research data will be processed using SPSS version 25 software, and the analysis results will be used to answer the problem formulation in this research (Ghozali, 2016).

3. RESULTS AND DISCUSSION

3.1 Descriptive Statistics

Based on the results of data processing using SPSS version 25, the following calculations were obtained:

Table 1. Results of Descriptive Statistical Analysis

Variable	Mean	Std. Deviation	N
PBV	179.7964	57.48955	11
INST	54.0809	0.02427	11
ROA	11.1145	2.71566	11

Source: Data processed by SPSS Version 25 (2023)

Based on the table above in research at PT Bisi Internasional Tbk in 2012-2022, it can be seen that the Price to Book Value (PBV) variable has a Mean value of 179.7964, and a Standard Deviation value of 57.48955. The next variable, namely Institutional Ownership (INST), has a Mean value of 54.0809 and a Standard Deviation of 0.02427. The Return on Assets (ROA) variable has a Mean value of 11.1145 and a Standard Deviation value of 2.71566.

3.2 Classic Assumption Test

3.2.1 Data Normality Test

**Table 2. Data Normality Test
One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residuals
N		11
Normal Parameters, b	Mean	.0000000
	Std. Deviation	30.77861128
Most Extreme Differences	Absolute	.140
	Positive	.140
	Negative	-.127
Statistical Tests		.140
Asymp. Sig. (2-tailed)		.200c

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. This is a lower bound of the true significance.

Source: Data processed with SPSS 25 (2023)

Based on the results of the Kolmogorov Smirnov normality test showing a sig value (2-tailed) > 0.05, namely 0.200 > 0.05, it can be concluded that the data used is normally distributed.

3.2.2 Multicollinearity Test

Table 3. Multicollinearity Test

Model	Tolerance	VIF
1. (Constant)		
INST	.997	1.003
ROA	.997	1.003

Source: SPSS 26 Data Processing Results (2023)

From the data processed above, it can be seen that the Institutional Ownership (INST) and Debt to Equity Ratio (DER) variables get the same value, namely a tolerance value of 0.997 and a VIF value of 1.003. So it can be concluded that there are no symptoms of multicollinearity between variables, this is because the VIF value is smaller than 10.

3.2.3 Autocorrelation Test

Table 4. Autocorrelation Test Results

Model R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.845a	.713	34.41153	1.732

Source: Primary data processed, 2023

In the table above, it can be seen that the Durbin-Watson (DW) value is 1.732. From these results, we can determine whether autocorrelation occurs if $D_u < d < 4 - d_u$. The Durbin-Watson (DW) value from the table above is 1.677. We are judging from the number of variables x (k) used, namely $k=2$ and the sample (n) used $n=11$, seen from the Durbin-Watson table, the value of $dU = 1.6044$, which means $1.6044 < 1.732 < 4 - 1, 6044 = 1.6413 < 1.732 < 2.3956$ which means that there is no autocorrelation in the regression model of this study.

3.2.4 Heteroscedasticity Test

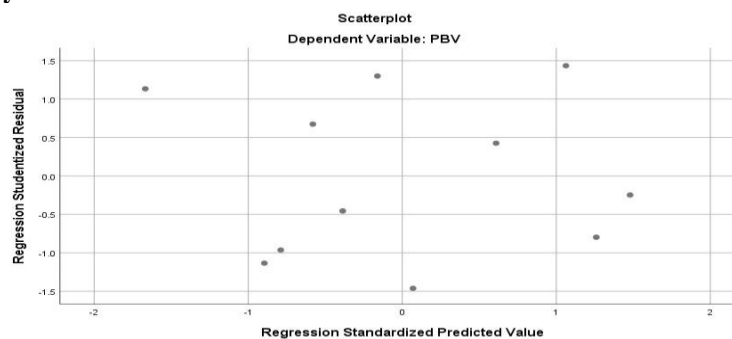


Figure 1. Heteroscedasticity Test Results

Based on the scatterplot image above, it can be concluded that the points are spread randomly and do not form a particular pattern, this means that there is no heteroscedasticity in the regression model, so the regression model is suitable for use to predict the level of Price to Book Value (PBV) based on the independent variables.

3.3 Multiple Linear Regression

Table 5. Multiple Linear Regression

Model B	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		Std. Error	Beta			Tolerance	VIF
1 (Constant)	63869.939	24288.888		2.629	.030		
INST	-1180.530	440.050	-.409	-2.629	.030	.887	1.093
ROA	13.853	4.013	.651	3.452	.001	.887	1.093

a. Dependent Variable: PBV

Source: Data processed by SPSS version 25

Based on the analysis of regression calculations in the table above, the regression equation $Y = 63869.939 - 1180.530 X_1 + 13.853 X_2$ can be obtained. From the equation above, it can be concluded as follows:

1. The constant value (a) is 63869.939, which means that if the independent variable consisting of Institutional Ownership (INST) and Return on Assets (ROA) is 0, then the value of the dependent variable Price to Book Value (PBV) is 63869.939.
2. The regression coefficient value for the Institutional Ownership variable (INST) is negative at -1180.530; this shows that for each Institutional Ownership variable (INST) decreases by 1%, the Price to Book Value (PBV) increases by 1180.530. This negative coefficient indicates that Institutional Ownership (INST) hurts price-to-book value (PBV). Based on the analysis, the calculated t-value was -2.629 with a significance value (sig) of 0.30. The table value with a significance level of 5% (0.05) is 2.306. Because the count is

- smaller than the table (-2.629 < 2.306) and the sig value is more significant than 0.05 (0.03 < 0.05), the null hypothesis (Ho) is accepted, and the alternative hypothesis (Ha) is rejected. This indicates that Institutional Ownership (INST) partially has no significant effect on price-to-book value (PBV).
- The regression coefficient value for the Return on Asset (ROA) variable is negative at 13.853; this shows that for each Return on Asset (ROA) variable decreases by 1%, the Price to Book Value (PBV) increases by 13.853. A positive coefficient value indicates that R1. return on Assets (ROA) positively affects price-to-book value (PBV). The analysis results obtained a count of 3.452 with a sig value of 0.009. The 5% significance level (0.05) table value is 2.306. Because the count is more significant than the table (3.452 > 2.306) and the sig value is smaller than 0.05 (0.009 < 0.05), then Ha1 is accepted, and Ho1 is rejected. This shows that Return on Assets (ROA) partially significantly affects price-to-book value (PBV).

Table 6. Simultaneous Test

Model	Sum of Squares	Df	Mean Square	F	Sig.
1	22577.256	2	11288.628	9.955	.007
2	2473.220	8	309.152		
Total	22050.485	10			

Based on the analysis, the Fcount was 9.955 with a significance value of 0.007. By comparing with the Ftable for $\alpha = 0.05$ and $df1 = 2$ and $df2 = 8$, the Ftable is obtained at 4.46. Because Fcount (9.955) > Ftable (4.46) and the significance value (0.007) < 0.05, then Ha3 is accepted and Ho3 is rejected. In conclusion, Institutional Ownership (INST) and Return on Assets (ROA) simultaneously have a significant effect on Price to Book Value (PBV).

Table 7. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.845 ^a	.713	.642	34.41153	1.732

a. Predictors: (Constant), ROA, INST

b. Dependent Variable: PBV

Source: Data processed by SPSS version 25

Based on table 7, it shows an R Square of 0.713, indicating that Institutional Ownership (INST) and Return on Assets (ROA) contribute 71.3% to Price to Book Value (PBV), while the remaining 28.7% is influenced by other factors. The correlation coefficient between INST and ROA is 0.845, indicating a very strong relationship with PBV.

4. DISCUSSION

The research results show that institutional ownership (INST) partially has a significant effect on price-to-book value (PBV), which is consistent with previous studies, as mentioned in research by Lestari (2017). The implication is that the existence of institutions in company ownership has a significant impact on the market assessment of company value, which is reflected in PBV. Institutional ownership reflects investors' confidence in a company's long-term performance and prospects. When institutional investors buy shares in large quantities, it can send a positive signal to the market about their confidence in a company's growth potential and profitability. As a result, PBV may increase due to market expectations of the company's better future performance. Apart from that, the presence of institutional investors can also bring other benefits, such as increased transparency and corporate accountability, which can indirectly increase market confidence and reduce investment risk. This can increase the company's market valuation, which is reflected in a higher PBV. This research provides a further understanding of the importance of institutional ownership in determining company market valuation. The implication is that company management needs to pay attention to strategies that can support the trust of institutional investors, such as improving financial performance, transparency of financial reports, and maintaining good relations with institutional shareholders.

Research findings show that Return on Assets (ROA) partially has a significant effect on price-to-book value (PBV), which has important implications for understanding the factors that influence company market valuation. These results are consistent with previous research conducted by Irma Desmi Awulle and colleagues in 2018, which also found a positive relationship between profitability (ROA) and company value (PBV). Profitability is an important indicator for investors and other stakeholders because it reflects the company's ability to generate profits from its assets. When ROA increases, the company can more efficiently manage its assets to generate profits. In the context

of PBV, an increase in ROA can show the market that the company has the potential to gain profits more significantly than the book value of its assets. Companies with high ROA tend to be valued more highly by the market, reflected in a greater PBV. This is because investors tend to give a higher assessment to companies that can generate high profits from the assets they own. Apart from that, a high ROA can also indicate the quality of a company's management and business strategy, which can attract investor interest and encourage demand for shares, thereby increasing PBV. Thus, this research contributes to strengthening the understanding of the importance of profitability in determining company market valuation. The implication is that company management needs to focus on strategies to increase ROA, such as operational efficiency, product innovation and sound risk management, to increase shareholder PBV and company value.

Research findings show that Institutional Ownership (INST) and Return on Assets (ROA) simultaneously have a significant effect on price-to-book value (PBV), indicating that these two factors have an essential role in determining the company's market valuation together. These results are consistent with research conducted by Rista Tri Anggita, Risal Rinofah, and Pristin Prima Sari in 2021, which also found that Institutional Ownership and Profitability significantly affect Company Value. Institutional ownership reflects institutional investors' trust and support for company performance. The presence of institutional investors is usually positive because they have sufficient expertise and resources to conduct an in-depth analysis of a company's prospects and performance. By having significant ownership, institutional investors can provide stability and confidence to the market, increasing a company's PBV. Meanwhile, ROA is a crucial indicator of company profitability, reflecting its ability to generate profits from its assets. A high ROA indicates that a company efficiently uses its assets to generate profits, which can increase profits and, ultimately, PBV. Thus, high ROA simultaneously influences the increase in a company's PBV. When these two factors are combined, the research results show that the presence of robust Institutional Ownership together with sound financial performance, as reflected in high ROA, can have a positive impact. -The same goes for PBV. This shows that investors tend to give higher valuations to companies that have support from institutional investors and solid financial performance. As a result, company management can consider strategies that accommodate the interests of institutional investors while focusing on increasing profitability to increase PBV and, ultimately, increase company value for shareholders. Companies can optimize market valuation and create long-term value for all stakeholders by understanding their importance.

5. CONCLUSION

Based on the research results that have been presented, it can be concluded that Institutional Ownership (INST) and Return on Assets (ROA) have a significant influence on price-to-book value (PBV) partially or simultaneously. These findings are consistent with previous research results and provide a deeper understanding of the factors influencing a company's market valuation. Institutional ownership reflects investors' confidence in a company's long-term performance and prospects. The presence of institutional investors can provide stability and confidence to the market, which increases a company's PBV. Meanwhile, ROA reflects the company's ability to generate profits from the assets it owns. High ROA increases PBV by showing the company's efficiency in managing assets to generate profits. When Institutional Ownership and ROA are combined, the research results show that both positively impact PBV. Investors give higher assessments to companies with institutional investors' support and solid financial performance. These findings imply that company management needs to pay attention to strategies that support the trust of institutional investors, such as improving financial performance and maintaining good relations with institutional shareholders. By understanding the importance of these two factors, companies can optimize market valuation and create long-term value for all stakeholders.

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