

# The Influence of Intellectual Capital and Institutional Ownership Towards the Firm Value in Food & Beverages Industries Period 2018-2021

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**Abstract:-** To analysis and review of whether a firm value is influenced by VACA, VAHU, STVA and institutional ownership mediated by profitability. The samples used is food and beverage industries listed on IDX of 17 industries for 4 years of study, 2018 to 2021. This study used panel data regression analysis with Eviews 12 software. The result of this study show that: (1) VACA has no effect towards firm value, (2) VAHU has no effect towards firm value, (3) STVA has a positive significant effect towards firm value, (4) Institutional ownership has no effect towards firm value, (5) Profitability has a positive significant effect towards firm value, (6) VACA has a positive significant effect towards profitability, (7) VAHU has no effect towards profitability, (8) STVA has a positive significant effect towards profitability, (9) Institutional ownership has no effect towards profitability, (10) Profitability succeeded in mediating the influence of VACA on firm value, (11) Profitability succeeded in mediating the influence of VAHU towards firm value, (12) Profitability succeeded in mediating the influence of STVA towards firm value, (13) Profitability didn't succeed in mediating the influence of institutional ownership on firm value.

**Keywords:-** Firm Value, VACA, VAHU, STVA, Institutional Ownership.

## I. INTRODUCTION

Food and beverage industries are manufacturing companies that process raw materials into semi-finished or finished products. Food and beverage industry is a sector with great potential as it is a major contributor to the Indonesian economy. Food and beverage companies play a key role in increasing productivity, investment, exports, and employment.

The Ministry of Industry stated that during 2015 to 2019, the output of the food and beverage industry grew at an average of over 8.16%, outpacing the average growth rate of 4.69%, for the non-oil and gas processing industry. Amid the impact of the pandemic, growth in the non-oil and gas industry increased by 2.52% through the fourth quarter of 2020. However, the food and beverage industry is likely to grow by 1.58% in 2020. The food and beverage industry also plays an important role by contributing to the export of non-oil and gas processing industries. During the period from January to December 2020, the total export value of the food and beverage industry reached

US\$31.17 billion, contributing 23.78% to the non-oil and gas processing industry exports of US\$131.05 billion.

Firm value is the state that a company has achieved as proof of social trust in the company over the course of several years of activity since its founding (Brigham and Houston, 2014). According to Atmaja and Astika (2018), enterprise value can basically be measured by company's stock market price. This is because a company's stock market value reflects investors' overall valuation of each stock it holds. According to Sihombing (2018), when a company goes public, the size of the company's book value can be related to the company's share price on the market, so that the company's book value is expressed as a Price to Book Value ratio.

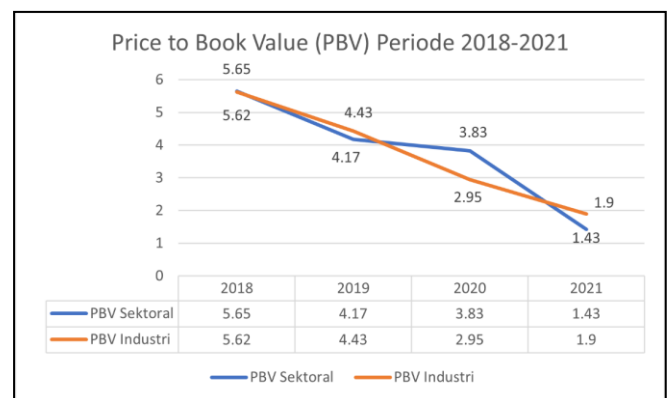


Fig 1. Price to Book Value Sectoral & Industry Period 2018-2021

Figure 1 compare average enterprise value as measured by PBV for the food and beverage industries over the period 2018-2021 with average PBV by sector. Sectoral PBV values fluctuate each year. However, it is different from PBV in the industry, which is declining year by year. In 2019, both PBV by sector and by industry shown declines. In 2020, the PBV for this sector increased, bu the PBV for the industry continued declines, reaching a low point of 1.9 in 2021. Year after year, the PBV values in the food an beverages industry are still good. This is because the average PBV shows the values greater that 1. This means that the stock price on the market is still higher than the book value. There're factors that cause a decline in the PBV of food and beverage industries.

The first factor that affects the enterprise value is intellectual capital. The reason researchers use variable intellectual capital is that little attention has been paid to measuring intangibles and their impact on firm value. Intellectual capital is the combination of intangible assets that enable a business function (Ulum, 2009). Based on the resource theory, companies can manage resources to achieve competitive advantage. This theory is supported by Salvi et al. (2020), Yustyarani and Yuliana (2020), and Lukman and Tanuwijaya (2021) that show the intellectual capital has a significant positive impact on firm value. On the other hand, studies by Lestari and Sapitri (2016), and Subaida et al. (2018) show different results. In other words, the intellectual capital does not influence corporate value.

Institutional ownership are corporate stocks owned by agents or financial institutions such as insurance companies, banks, mutual funds, and other. According to agency theory, companies can minimize agency cost arising from conflicts of interest by increasing their institutional ownership. Institutional ownership plays an important role in controlling administration as it can facilitate optimal increases in surveillance (Sutrisno and Sari, 2020). This theory is supported by studies by Zahro (2018), and Soewarno and Ramadhan (2020), which state that institutional ownership has a very positive affect on firm value. However, these results are inconsistent with those of Listiyowati and Indarti (2018), Astuti et al. (2018), and Putra and wirawati (2020) state that institutional ownership does not influence enterprise value.

This study uses a mediating variable, namely profitability. The author's reason for using a mediating variable is to mediate the inconsistencies of the results of previous research and develop previous research so that result is more accurate. Profitability is a useful indicator of a company's operational efficiency, but profitability measures continue to show the combined impact of liquidity, asset management, and liabilities on performance. Based on signal theory, profitability can be used as a signal to investors that can influence investment decisions (Brigham and Ehrhardt, 2020:452).

This study uses the observation period from 2018 to 2021 as distinguishing feature from previous studies. Therefore, this study contributes significantly to proving whether there has been an enhancement of the coherence of previous theories, or vice versa.

## II. LITERATURE REVIEW

### A. Signaling Theory

Signaling theory was first coined by Spence (1973) in his research entitled Job Market Signaling as follows:

“In most job markets, the employer is unsure of a person's productive abilities when he or she hires them. There are other information gaps in the job market. Just as employes have imperfect information about applicants, so applicants will be less informed about the quality of work and work environment.”

Management researchers have also applied signaling theory to explain the effects of information asymmetry in various fields. According to Robbins and Schatzberg (1986), managers in companies with information asymmetry can demonstrate good company prospects.

### B. Resource-Based Theory

According to Wernerfelt (1984) what is meant by resources are:

“The strengths or weaknesses of a particular company. More formally, company resources at any given time can be defined as assets (tangible and intangible) that are tied semi-permanently to the company. Examples of resources are: brand names, internal technological know-how, hiring skilled personnel, trade contacts, machines, efficient procedures, capital, etc.”

This theory explains that the company's available resources are a new aspect when evaluating a company. Good resource management can generate high profits. One of the company's strategies is to balance existing resources with new developments (Wernerfelt, 1984).

### C. Agency Theory

Agency theory was put forward by Jensen and Meckling (1976) as follows:

“Agency relationship as a contract in which one or more persons (principals) perform services on behalf of another person (agent). Some decision-making authority is delegated to an intermediary.”

Agency relationship incur active monitoring and retention costs (non-monetary or monetary) for both principals and agents. Moreover, there's a constant discrepancy between agent's decisions and those that maximize the principal's well-being. Here, the core of the emergence of agency costs that must be borne by the enterprise (Jensen and Meckling, 1976).

### D. Firm Value

According to Brigham and Houston (2014) the firm value is the state that a company has achieved as proof of social trust in the company over the course of several years of activity since its founding.

Price to Book Value = (Market Price Per Share / Book Value Per Share) x 100%

### E. Intellectual Capital

The term intellectual capital refers to the combination of intangibles that make a company work (Brooking, 1996). The term intellectual capital is often used synonymously with intangible assets (Ulum, 2009).

#### ➤ Value Added Capital Employedd (VACA)

VACA is measure of value added made by units of physical capital. This metric shows the contribution each unit of capital employed makes to the organization's value creation.

VACA = VA / CE

where:

- VA : Value Added (OUT – IN)
- OUT : Output (total sales and other income)
- IN : Input (selling expenses and other expenses besides employee expenses)
- CE : Capital Employed (available funds like equity, net income)

➤ Value Added Human Capital (VAHU)

VAHU shows how much value added can be generated with funds spent on work. This ratio shows the contribution of each Rupiah invested in human capital to the organization’s value added.

$$VAHU = VA / HC$$

Where:

- HC : Human Capital (employee expenses)

➤ Structural Capital Value Added (STVA)

This ratio measures the amount of Structural Capital required to generate value of 1 Rupiah and shows how much structural capital creates value.

$$STVA = SC / VA$$

Where:

- SC : Structural Capital (value added – human capital)

F. Institutional Ownership

Institutional ownership is a equity in a company owned by an agency or financial institution such as an insurance company, bank, mutual fund or other institutional owner. Institutional ownership plays an important role in controlling administration as it can facilitate an optimal level of oversight. Good internal oversight also affects shareholder wealth (Sutrisno and Sari, 2020).

$$INST = (Institutional Share Ownership / Total Company Shares) \times 100\%$$

G. Profitability

According to the Brigham and Ehrhardt (2020:452), profitability is the final result of a series of actions and decisions. While the metrics discussed so far provide useful indicators of a company’s operational efficiency, profitability metrics continue to demonstrate the combined effects of liquidity, asset management, and debt on performance.

$$Return\ on\ Asset = (Earning\ After\ Tax / Total\ Assets) \times 100\%$$

III. RESEARCH METHOD

The design of this study uses a casual research method that describes causal relationship and specific effects based on the framework of the research theory. Causality studies have influencing factors. This study was conducted to examine the causal relationship between intellectual capital and institutional ownership toward firm value and using profitability as a mediating variable.

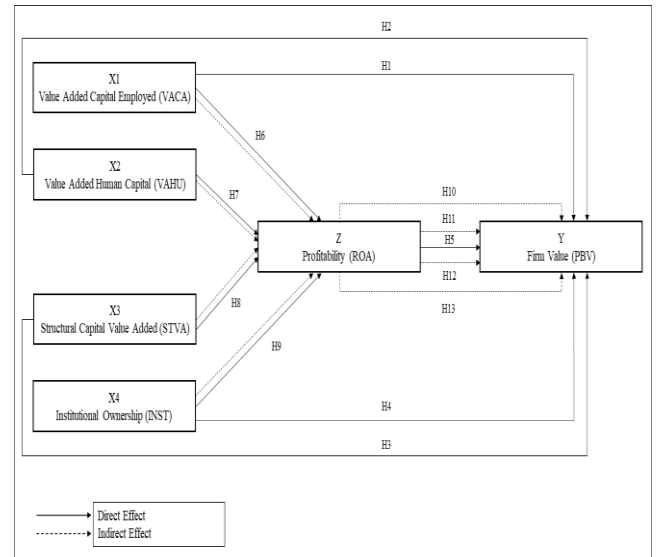


Fig 2. Study Framework

The author chose a purposive sampling method by establishing certain criteria that must be met by the samples used in this study.

Table 1. Sample Criteria

No	Criteria	Number
1	F&B industry listed on IDX period 2018-2021	22
2	F&B industry release financial reports for period 2018-2021	(0)
3	F& B industry that lost in periode 2018-2021	(5)
<b>Total samples</b>		<b>17</b>

$$PBV = \alpha_1 + b_1VACA + c_1VAHU + d_1STVA + e_1INST + f_1ROA + \epsilon_1$$

$$ROA = \alpha_2 + b_2VACA + c_2VAHU + d_2STVA + e_2INST + \epsilon_2$$

IV. RESULT

A. Descriptive Statistic Test Result

	VACA	VAHU	STVA	INST	ROA	PBV
<b>Mean</b>	0.3966	2.2622	0.4480	0.7788	0.0989	3.3015
<b>Median</b>	0.3385	1.8778	0.4674	0.8178	0.0924	2.1549
<b>Max</b>	1.3230	5.2230	0.8085	0.9652	0.4163	25.8639
<b>Min</b>	0.0671	1.0014	0.0014	0.5008	0.0005	0.2964
<b>Std. Dev</b>	0.2319	1.1764	0.2330	0.1231	0.0766	4.5487
<b>Observation</b>	68	68	68	68	68	68

Table 2. Descriptive Statistic Result

- Value Added Capital Employed (VACA) has a mean value > standard deviation, it shows that the data is less varied. The mean value shows that every 1-rupiah of a company’s physical assets can create value added for company itself of 0.3966 or 39.66%.
- Value Added Human Capital (VAHU) has a mean value > standard deviation, it shows that the data is less varied. The mean value shows that every 1-rupiah of salary paid to employees can create value added for company of 2.622 or 262.2%.
- Structural Capital Value Added (STVA) has a mean value > standard deviation, it shows that the data is less varied. The shows value means that every capital structure which includes company profits, operational system, work procedures, technology and others can create value added for company of 0.4480 or 44.80%.
- Institutional Ownership (INST) has a mean value > standard deviation, it shows that the data is less varied. The mean value shows that most of the company’s shares are owned by institutions with a portion of share ownership of 0.7788 or 77.88% in the company.
- Return on Asset (ROA) has a mean value > standard deviation, it shows that the data is less varied. The mean value shows that the company is able to generate profits of 0.0989 or 9.89% by utilizing its assets.
- Price to Book Value (PBV) has a mean value < standard deviation, it shows that the data is quite varied. The mean value shows that every 1-rupiah book value is valued by the market 3.3015 times the share price.

*B. Panel Data Regression Test Result*

Test	Criteria	Result	Conclusion
<b>Model 1</b>			
Chow	Cross-section chi-square < 0.05	0.0000	FEM
Hausman	Cross-section random < 0.05	0.0001	FEM
<b>Model 2</b>			
Chow	Cross-section chi-square < 0.05	0.0000	FEM
Hausman	Cross-section random > 0.05	0.2185	REM
Lagrange Multiplier	Both < 0.05	0.0000	REM

Table 3. Panel Data Regression Test Result

From table 3, we can conclude that for the first regression model, the Fixed Effect Model was selected as the best model rather than Common Effect Model. Meanwhile, for the second regression model, the Random Effect Model was selected as the best model rather than Common Effect Model.

*C. R-Square Test Result*

Adjusted R-squared	0.9399
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Table 4. R-Square Test Result for First Model

From table 4, we can conclude that the VACA, VAHU, STVA, INST and ROA is able to influence the PBV of 0.9399 or 93.99%. Meanwhile, 6.01% is influenced by other variables outside of this research.

Adjusted R-Squared	0.8134
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Table 5. R-Square Test Result for Second Model

From table 5, we can conclude that the VACA, VAHU, STVA and INST is able to influence the ROA of 0.8134 or 81.34%. Meanwhile, 18.66 % is influenced by other variables outside of this research.

*D. F Test Result*

Prob(F-Statistic)	0.0000
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Table 6. F Test Result for First Model

From table 6, we can conclude that the VACA, VAHU, STVA, INST and ROA have a significant effect on PBV simultaneously.

Pro(F-Statistic)	0.0000
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Table 7. F Test Result for Second Model

From table 7, we can conclude that the VACA, VAHU, STVA, and INST have a significant effect on ROA simultaneously.

*E. t Test Result*

Variable	Coefficient	t-Statistic	Prob.
VACA	2.5207	0.9409	0.3517
VAHU	-0.0130	-0.0211	0.9833
STVA	-10.3386	-2.5871	0.0129
INST	-8.7554	-1.8001	0.0784
ROA	37.7089	4.8293	0.0000

Table 8. t-Test Result for First Model

➤ *Effect of Value Added Capital Employed Towards Firm Value*

VACA has a positive coefficient value (2.5207) and probability value of 0.3517 (>0.05), it shows that VACA has no effect towards firm value. The result of this study is not consistent with the resource-based theory. VACA is not able to increase the firm value. This is because the VACA itself is part of the VAIC and therefore cannot provide meaningful value for the company in terms of the capital used. The value added capital used is the added value that arises from the company’s relationship with third parties. They consist of the company or suppliers and the survey results. This indicated that the company was unable to develop a very similar physical capital and therefore could not add value to the company. It is concluded that the company’s value is still commonly seen and estimated by the company’s financial statement. It shows how much profit has been generated, and the investor can get a dividend. The same study result conducted by Hamidah et al. (2015), Sharen and Sari (2021), Suzan and Juliawan (2021), namely Value Added Capital Employed (VACA) has no effect towards firm value.

➤ *Effect of Value Added Human Capital Towards Firm Value*

VAHU has a negative coefficient value (-0.0130) and probability value of 0.9833 (>0.05), it shows that VAHU has no effect towards firm value. The result of this study is not consistent with the resource-based theory. Human capital measurements use quantitative measures. In other words, stress on employees is considered less effective. Payroll costs, travel costs, and other employee costs alone are not enough to determine the best talent. As people, employees must have attitudes that merge from their personality. Employment also affects the quality of these employees. In this study is only use monetary indicators, regardless of non-monetary factors. On the other hand, factors such as attitude are non-monetary factors. The same study result conducted by Appah et al. (2023), Li and Zhao (2018), Puspita and Wahyudi (2021), namely Value Added Human Capital (VAHU) has no effect towards firm value.

➤ *Effect of Structural Capital Value Added Towards Firm Value*

STVA has a negative coefficient value (-10.3386) and probability value of 0.0129 (<0.05), it shows that STVA has positive significant effect towards firm value. The result of this study is consistent with the resource-based theory. The higher STVA, the higher firm value. The corporate resources consist of 3 types of resources: physical resources, human resources, and organization or structural resources that add value to create competitive advantage. This indicates that the presence of structural capital improves the company's asset management. Good asset management can improve company performance. This will also increase market awareness of the company's future prospects. This is reflected in the PBV. The same study result conducted by Suryawarhman and Wirama (2018), Sumiati et al. (2022), Suzan dan Juliawan (2021), namely Structural Capital Value Added (STVA) has a positive significant effect towards firm value.

➤ *Effect of Institutional Ownership Towards Firm Value*

INST has a negative coefficient value (-8.7554) and probability value of 0.0784 (>0.05), it shows that INST has no effect towards firm value. The result of this study is not consistent with the agency theory. The high value of institutional ownership can result in close oversight of all corporate activities by the institution, minimizing the occurrence of managerial fraud. Institutional ownership does not affect the value of the company as it cannot influence investors to invest in the company. The result of this study shows that companies with high institutional investor ownership have low corporate value, which may contradict the institutional investors theory that the impact on corporate value is thought to be small. The same study result conducted by Purba and Africa (2019), Tirmizi and Siahaan (2022), Ismantara and Handojo (2022), namely institutional ownership has no effect towards firm value.

➤ *Effect of Profitability Towards Firm Value*

ROA has a positive coefficient value (37.7089) and probability value of 0.0000 (<0.05), it shows that ROA has a positive significant effect towards firm value. The result of this study is consistent with the signaling theory. The higher profitability, the higher enterprise value. Signs that a

company's stock price is rising indicate that the company's ability to generate profit is high, thus increasing the value of the company. Investors tend to choose profitable companies every year. They believe that the higher the company's value, the greater the company's profit. The company's positive signals make investors believe and offer management opportunities in running the company. A company's value is reflected in its ability to generate profit, and the more profitable the company, the higher the company's value and vice versa. The same study result conducted by and Aulia (2021), Raharjo and Muhyarsyah (2021), Doloksaribu and Hutapea (2022), namely profitability has a positive significant effect towards firm value.

Variable	Coefficient	t-Statistic	Prob.
VACA	0.2302	9.8066	0.0000
VAHU	-0.0047	-0.4936	0.6233
STVA	0.2687	5.1124	0.0000
INST	0.0538	1.0897	0.2800

Table 9. t-Test Result for Second Model

➤ *Effect of Value Added Capital Employed Towards Profitability*

VACA has a positive coefficient value (0.2302) and probability value of 0.0000 (<0.05), it shows that VACA has a positive significant effect towards profitability. The result of this study is consistent with the resource-based theory. The structural capital in food and beverage industries such as corporate routines, procedures, systems, culture, and databases have been well managed. Structural capital is one of the big drivers for companies to maximize the potential of the company. When the company's culture and management are maintained and utilized properly, it will provide a competitive advantage among other business competitors so that financial performance will increase. The same study result conducted by Yudawisastra et al (2018), Subarkah (2021), Safitri and Riduwan (2021), namely Value Added Capital Employed (VACA) has a positive significant effect towards profitability.

➤ *Effect of Value Added Human Capital Towards Profitability*

VAHU has a negative coefficient value (-0.0047) and probability value of 0.6233 (>0.05), it shows that VAHU has no effect towards profitability. The result of this study is not consistent with the resource-based theory. The study found that food and beverage industries is not making the most of its employees' knowledge and achieving optimal profitability. This may occur because companies in developing countries like Indonesia have not leveraged their knowledge and still tend to focus on tangible assets and neglect intangible assets. On the other hand, the global economy is currently undergoing a transformation in which added value is created not only by quantity, but also by quality with knowledge employees. A person who can transform and combine knowledge into products and services that create value and provide a paid benefit to consumers. That is, they are considered as important as tangible assets. The same study result conducted by Yudawisastra et al (2018), Tarigan et al. (2019), Siti et al. (2020), namely Value Added Human Capital (VAHU) has no effect towards profitability.

➤ *Effect of Structural Capital Value Added Towards Profitability*

STVA has a positive coefficient value (0.2687) and probability value of 0.0000 (<0.05), it shows that STVA has a positive significant effect towards profitability. The result of this study is consistent with the resource-based theory. The result of this study indicates that companies can increase profitability if they make good use of their structural capital. The size of the structural capital contribution can improve the company's performance in managing shareholder returns. Companies that manage the facilities and infrastructure to support employee performance add value to their business. Structural capital includes issues such as buildings, hardware, software, processes, patents, and copyrights. Not only that, but it also includes organizational image, information system, database ownership, etc. The same study result conducted by Yudawisastra et al (2018), Sari (2021), Andika and Astini (2022), Structural Capital Value Added (STVA) has a positive significant effect towards profitability.

➤ *Effect of Institutional Ownership Towards Profitability*

INST has a positive coefficient value (0.0538) and probability value of 0.2800 (>0.05), it shows that INST has no effect towards profitability. The result of this study is not consistent with the agency theory. A characteristic of controlling shareholders in Indonesian companies is family ownership. Management seeks to serve the interests of the family, so institutional ownership oversight of the family business cannot be maximized. This situation may lead to sub-optimal oversight by institutional officials as there is still interference from controlling shareholders. Therefore, this high level of institutional ownership could not affect the company's profitability. The same study result conducted by Darmawan (2017), Kusumawati et al. (2021), Panggiring and Sutrisno (2021), namely institutional ownership has no effect towards profitability.

Variable	Direct Effect	Indirect Effect
VACA-ROA-PBV	2.5207	8.6806
VAHU-ROA-PBV	-0.0130	-0.1772
STVA-ROA-PBV	-10.3386	10.1324
INST-ROA-PBV	-8.7554	2.0287

Table 10. Sobel Test Result

➤ *Effect of Value Added Capital Employed Towards Firm Value Mediated by Profitability*

VACA has a direct effect value of 2.5207 and indirect effect value of 8.6806, it shows that profitability can mediate the effect of VACA towards firm value. The result of this study is consistent with the resource-based theory. The result of this study show that the food and beverage industries can effectively use the company's capital asset to increase the company's bottom line. You can increase the profitability of your company by increasing their net income. And the higher the investor interest in investment., the higher the profitability of the company and the higher the corporate value, which is reflected in the stock price. The same study result conducted

by Sulistyaningsih and Khusnah (2020), Khusnah and Anugraini (2021), namely profitability can mediate the effect of Value Added Capital Employed (VACA) towards firm value.

➤ *Effect of Value Added Human Capital Towards Firm Value Mediated by Profitability*

VAHU has a direct effect value of -0.0130 and indirect effect value of -0.1772, it shows that profitability can mediate the effect of VAHU towards firm value. The result of this study is consistent with the resource-based theory. This condition is well received by investors and can increase enterprise value through stock price. This situation is viewed favorably by investors, so the company's stock price rises. When the stock price goes up, the PBV goes up. The market participants value companies with good profitability. Good profitability leads to a positive market response, thereby increasing the value of the company. The same study result conducted by Natsir and Bangun (2021), namely profitability can mediate the effect of Value Added Human Capital (VAHU) towards firm value.

➤ *Effect of Structural Capital Value Added Towards Firm Value Mediated by Profitability*

STVA has a direct effect value of -10.3386 and indirect effect value of 10.1324, it shows that profitability can mediate the effect of STVA towards firm value. The result of this study is consistent with the resource-based theory. The food and beverage industries can create value by efficiently managing and using a company's structural capital to increase company profits. The higher the revenue growth, the more profit an investor can make. As investors are interested in investing their capital, it makes the enterprise value higher. The same study result conducted by Sulistyaningsih and Khusnah (2020), Khusnah and Anugraini (2021), Marpaung et al. (2023), namely profitability can mediate the effect of Structural Capital Value Added (STVA) towards firm value.

➤ *Effect of Institutional Ownership Towards Firm Value Mediated by Profitability*

INST has a direct effect value of -8.7554 and indirect effect value of 2.0287, it shows that profitability cannot mediate the effect of institutional ownership towards firm value. The result of this study is not consistent with the agency theory. Profitability fails to convey the impact of institutional ownership on enterprise value. Institutional ownership only oversees the actions of management towards operations with the intention of attracting investors based on good operations. The level of oversight gives investor an idea that the company can grow rapidly. Therefore, the institutional ownership level is not aimed at increasing profits, but at attracting enterprise value where investors are located. Their study also achieved the same results, namely profitability cannot mediate the effect of institutional ownership towards firm value The same study result conducted by Panggiring and Sutrisno (2021), namely profitability cannot mediate the effect of institutional ownership towards firm value.

## V. CONCLUSION AND SUGGESTION

The result of this study we can conclude that: (1) VACA has no effect towards firm value, (2) VAHU has no effect towards firm value, (3) STVA has a positive and significant effect towards firm value, (4) Institutional Ownership has no effect towards firm value, (5) Profitability has a positive and significant effect towards firm value, (6) VACA has a positive and significant effect towards profitability, (7) VAHU has no effect towards profitability, (8) STVA has a positive and significant effect towards profitability, (9) Institutional Ownership has no effect towards profitability, (10) VACA has an effect towards firm value mediated by profitability, (11) VAHU has an effect towards firm value mediated by profitability, (12) STVA has an effect towards firm value mediated by profitability, (13) Institutional Ownership has no effect towards firm value mediated by profitability.

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