

## INSTITUTIONAL OWNERSHIP AND INTELLECTUAL CAPITAL INFLUENCE VALUE OF TEXTILE AND GARMENT COMPANY

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### **ABSTRACT**

*This study examine about institutional ownership and intellectual capital impact the value of textile and garment companies listed on the IDX from 2018 to 2022. Despite the businessworld seeing companies struggle to maintain their value, the textile and garment sector has seen declining values. Institutional ownership is gauged using a ratio of institutional shares to total outstanding shares, while intellectual capital is evaluated using the VAIC<sup>TM</sup> method on a ratio scale. Company value is assessed using Tobin's q. The sample comprises 14 companies, totaling 70 data points obtained through purposive sampling. Data analysis involves testing classical assumption, multiple linear regression, correlation, determination, partial tests, and simultaneous tests using IBM SPSS version 26 software. The results reveal that institutional ownership negatively impacts company value, as weak or inactive ownership can lead to conflicts of interest between shareholders and management. This can result in agents prioritizing personal gains over shareholder interests, particularly when institutions adopt a passive ownership approach without active management involvement. Conversely, intellectual capital positively influences company value by driving innovation, leading to improved products, processes, and solutions that enhance competitiveness and market share.*

**Keywords:** *Institutional Ownership, Intellectual Capital.*

### **1. INTRODUCTION**

Capital investment activities are something that investors often do. Investors will carry out investment activities by looking at how the company value develops. A higher company value will reduces the investor's risk of incurring loss. In competitive markets, companies need to boost value through optimized resources and strategies, benefiting shareholders and stakeholders. Research on enterprise value explores factors like ownership structure and intellectual capital that influence value. This insights help management make informed decisions to enhance corporate value. In reality, several companies cannot maintain their company value so the value falls. here are some phenomena of declining company value over the past 5 years.

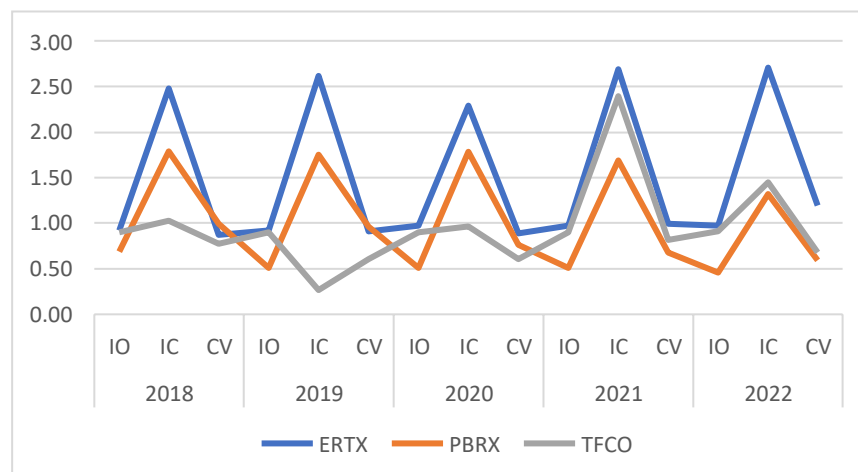


Figure 1: company value, institutional ownership, intellectual capital of textile and garment on Indonesian Stock Exchange 2018 – 2022  
 Source: Data Processed 2023

Based on Figure 1, if there is an increase or decrease in value Company, it is followed by an increase or decrease in institutional ownership and intellectual capital each year. The author assumes there is a relationship between these three variables. Using these independent variables, the study aims to determine their impact on company value. According to research by (Prasetyo et al., 2020) and (Rahma & Sukarmanto, 2023) suggests a positive influence of institutional ownership on company value, otherwise research by (Permatasari & Helliana, 2023), (Sudirgo & Dewi, 2021) indicate a negative impact.

Agency Theory and Resource-Based Theory (RBT) are the basic theories to study textile and garment sector companies in the 2018 - 2022. The study is structured into 5 sections consist of introduction, literature review, research methods, results, and conclusions.

## 2. LITERATURE

### REVIEW Agency Theory

Agency theory describe about the contractual relationship between two individuals, the principal and agent. This relationship constitutes a contract between shareholder (principal) and company manager (agent). If an agency conflict occurs, it can disrupt the achievement of company value. If this happens, the company value will decrease (Ermanda & Puspa, 2022).

Based on description, it can be inferred that Agent (company manager) was entrusted by the Principal (Shareholder) to manage the company so it can achieve the goal to align with the shareholders' objectives, including boosting the company's value through significant profit generation.

### Based Resource Theory

The Resource Based Theory posits that a company possesses resources capable of providing it with a competitive edge and guiding it towards sustained long-term performance. Valuable and rare resources can be leveraged to establish a competitive advantage, ensuring that these resources remain durable and are not easily replicated, transferred, or substituted. (Ulum, 2022)

Based on Resource Based Theory (RBT), provide competitive edge and sustainable performance must meet the following "VRIN" criteria:

1. Valuable (V) is a resource that can provide strategic value to company.
2. Rare (R) is resource that is difficult to find among existing competitors so that it has potential for the company.
3. Imperfect Imitability (I) means that resource can be a source of sustainable competitive edge only if a company that does not have the resource cannot obtain or cannot imitate the resource that the company has.
4. Non-Substitution (N) is a resource that cannot be substituted by a source

Resource Based Theory (RBT) suggests that a company's competitive edge is derived from distinct resources and abilities. Intellectual capital is considered an crucial part of a company's resources, and its effective management can generate long-term sustainable competitive edge.

### **Institutional Ownership**

Institutional ownership refers to the ownership shares by a company or other institution, namely share ownership by parties formed by institutions such as government, private, domestic and foreign institutions. High institutional ownership of a company has an essential function to minimize problems between shareholders and managers. This is described as share ownership by institutions, such as investment corporations, corporate pension plans, banks, and other institutional ownership (Permatasari & Helliana, 2023).

(Patrisia et al., 2019) in his research stated that Institutional Ownership can be measured by calculating the proportion of shares held by a particular institution relative to the total shares outstanding using this formula.

$$INST = \frac{\sum \text{Institutional Share}}{\sum \text{Outstanding Share}} \times 100\%$$

From the definition, can be inferred the Institutional Ownership refers to a condition where the shares of a company are held by institutions or external agencies.

### **Intellectual Capital**

Intellectual capital has become a crucial asset in today's business environment. Companies must develop a strong strategy to stay competitive in market. As intellectual capital continues to evolve, various definitions has emerged. One definitions suggests that Intellectual Capital encompasses all knowledge derived from existing resources that offer value to the companies operations (Kustinah, 2022).

According to Stewart (1997) in (Ulum, 2022), intellectual capital encompasses all assets within a company that enable it to compete effectively in market. This includes intellectual assets such as knowledge, information, and experience, as well as Intellectual Property which can be leveraged to generate prosperity. In this study, Intellectual Capital measurement method used is Value Added Intellectual Coefficient (VAIC<sup>TM</sup>) which formulated by Pulic (1998). By measuring Intellectual Capital using VAIC<sup>TM</sup>, it will be a solution for assessing

and reporting Intellectual Capital using company financial report information as a measurement reference.

The following are some of the components that make up  $VAIC^{TM}$ :

1. $VA$	=	$\frac{Output - Input}{}$
2. $VACA$	=	$\frac{Value Added}{Capital Employed}$
3. $VAHU$	=	$\frac{Value Added}{Human Capital}$
4. $STVA$	=	$\frac{Structural Capital}{Value Added}$
5. $VAIC^{TM}$	=	$VACA + VAHU + STVA$

Source: (Santiani, 2019)

### **Firm Value**

According to (Putri et al., 2019) the company's value represent a certain condition that has been achieved by a company, reflecting public confidence in it. The fluctuation in company's value can reflect the wealth of its shareholders. A higher share price indicates greater company value. In this study, a formula used to calculate company value uses Tobin's Q, a metric introduced and developed by James Tobin.

Tobin's Q is a metric that compare a company's market value to the replacement value of its assets as listed on financial market. (Suparlan, 2019).

$$\text{Tobin's Q} = \frac{MVE + DEBT}{TA}$$

Basically, the ideal Tobin's Q value is 1.0, which means the company has the potential to generate greater returns. However, if a Tobin's Q value is low or below 1.0 then the company can be classified as undervalued because the book value is higher than the market value.

### **Hypothesis**

#### **The Effect of Institutional Ownership and Intellectual Capital on Company Value**

Institutional ownership improves oversight and boosts management performance. Institutional investors, playing a crucial role in decision-making, act as effective oversight mechanisms. Thus, the Agency Theory is appropriate for addressing agency issues related to institutional ownership. Research by (Rahma & Sukarmanto, 2023), institutional ownership impact company value. This statement is also reinforced in research (Prasetyo et al., 2020) confirms the impact of institutional ownership on company value.

Company value is obtained from an assessment of company resources that have a significant impact. The ability to create innovative ideas and integrate new knowledge into products or services can create added value and differentiate a company from competitors. Company that successfully leverage and manage their intellectual capital will have greater opportunities to create and maintain long-term value. According to research (Melsia & Dewi, 2021) reveals that Intellectual Capital has a positive significant effect on Company Value.

From the explanation described previously, the hypothesis in this research is as follows:

- H1: Institutional Ownership has a positive impact on Company Value  
 H2: Intellectual Capital has a positive impact on company value  
 H3: Institutional Ownership and Intellectual Capital simultaneously impact the Company Value.

### 3. DATA AND RESEARCH TECHNIQUE ANALYSIS

This study falls under the category of associative descriptive quantitative which aims to examining the relationship between the independent and dependent variables. The locations for this research are textile and garment company listed on the IDX during the 2018 - 2022 period whose financial reports have been audited. The sampling employed is Non-Probability Sampling specifically using purposive sampling based on the following criteria:

*Table 1: Sample Criteria*

Number	Sample Criteria	Amount of Companies
1	Manufacturing companies in Textile and Garment subsector listed on the Indonesia Stock Exchange (IDX) from 2018 – 2022.	22
2	Manufacturing companies in Textile and Garment subsector that went public on the Indonesia Stock Exchange (IDX) after the 2018 – 2022 period.	(4)
3	Manufacturing companies in Textile and Garment subsector that have not publish financial reports or annual reports consecutively from 2018 – 2022.	(2)
4	Manufacturing companies in Textile and Garment subsector that have the potential to be delisted during 2018 – 2022.	(2)
Total Sample		14

*Source: Data Processed 2023*

#### **Descriptive Statistic**

Descriptive statistics involve analyzing data by presenting it in the form of tables, diagrams, graphs and other quantities to describe or depict the collected information. (Sugiyono, 2022).

#### **Classic Assumption Test**

Before testing the hypothesis, it is necessary to carry out an analysis of deviations from classical assumptions in the model

1. Normality Test  
Functions to check whether the data follows a normal distribution.  
Normality test is the Kolmogorov – Smirnov test.
2. Multicollinearity Test

Used to determine if the regression model identifies correlations among the independent variables because a good regression should not exhibit correlations among its independent variables.

3. Heteroscedasticity Test

Used to for heteroscedasticity in the residuals across different observations within the regression model.

4. Autocorrelation test

Examine if there is a correlation between the residual errors at t period and t-1 period in linear regression model. Investigate autocorrelation in this study using Durbin – Watson.

**Multiple Linear Regression Analysis**

In this study, multiple linear regression analysis is employed to investigate the impact of Institutional Ownership and Intellectual Capital on Company Value.

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \epsilon$$

Y = Dependent Variable

Value (Y)a = Constant

$\beta_1, \beta_2$  = Multiple regression coefficient between each

variable  $X_1$  = Institutional Ownership

$X_2$  =

Intellectual Capital  $\epsilon$

= Standard

error

**Correlation Coefficient Analysis**

Correlation analysis seeks to assess the degree of linear relationship between two variables. It does not differentiate between the dependent and independent variables (Ghozali, 2021).

**Coefficient Of Determination Analysis**

The coefficient of determination ( $R^2$ ) gauges the extent to which the model can explain variations in the dependent variable, with values ranging from zero to one. (Ghozali, 2021).

$$Kd = r^2 \times 100\%$$

Kd : Coefficient

Determination  $r^2$  :

Correlation Coefficient

100% : Stated in the

presentation

#### 4. RESULT AND DISCUSSION

Data analysis and processing in this research used IBM SPSS software version 26.

*Table 2: Descriptive Statistics*

	N	Min	Max	Mean	Std. Dev
X1	70	.32	1.22	.73	.218
X2	70	-25.85	4.15	-.04	5.525
Y	70	.37	2.73	1.11	.566
Valid N	70				

*Source: Data Processed 2024*

The explanation about descriptive statistical test results in table 2 is as follows:

1. The average value of institutional ownership is 0.73, indicating a high average institutional ownership in the textile and garment sector is high enough to become the majority shareholder. Meanwhile, the standard deviation of 0.28, being smaller than the average, suggest that the data for the institutional ownership is evenly distributed.
2. The average intellectual capital is -.04 while the standard deviation at 5.52 exceeds the average value. This indicate the intellectual capital observation data in the textile and garment sector has small variations in sample data.
3. The average value company is 1.11, suggesting that, on average, companies in the textile and garment sector are overvalued. This suggest that management is deemed successful in asset management and companies have significant growth potential in investments. The standard deviation value is 0.566, smaller than the average, the company value data appears to be evenly distributed.

*Table 3: Normality Test*

One-Sample Kolmogorov-Smirnov Test	
	Unstandardized Residual
Asymp. Sig. (2-tailed)	.200 <sup>c,d</sup>

*Source: Data Processed 2024*

According to table 3, the two-sided asymptotic result has a value of 0.200, which has passed the predetermined  $\alpha = 0.05$ . These results show that the data follows a normal distribution.



Table 4: Multicollinearity Test

Model	Coefficients <sup>a</sup>		Collinearity Statistics	
			Tolerance	VIF
1	LAG_X1		.999	1.001
	LAG_X2		.999	1.001

Source: Data Processed 2024

According to table 4, the tolerance limit is above 0.10 and the VIF requirement is below 10, so that the data meets the multicollinearity test requirements because it meets the requirements.

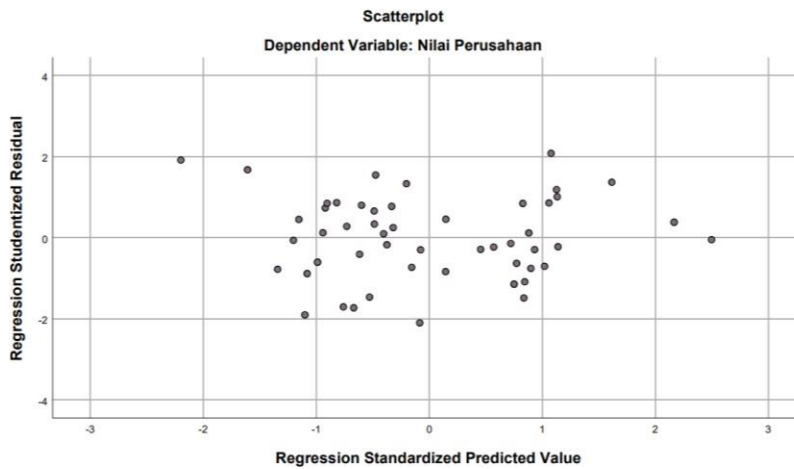


Figure 2: Heteroscedasticity test

Source: Data Processed 2024

Based on Figure 2, scatterplot graph displays dots scattered randomly, indicating heteroscedasticity does not occur

Table 5: Autocorrelation

Model Summary <sup>b</sup>	
Model	Durbin-Watson
1	2.116

Source: Data Processed 2024

According to data, the D-W result is 2,116. Next, it is compared with the D-W table with a significance level of  $\alpha = 5\%$ , the sample size is 51, total of 2 independent variables, so that the dU result is 1,628.

$$\begin{aligned}
 &= dU < d < 4 - dU \\
 &= 1.6283 < 2.116 < (4 - 1.6283) \\
 &= 1.6283 < 2.116 < 2.3717
 \end{aligned}$$

Based on the D-W table, it can be inferred that there is neither negative or positive autocorrelation with the decision not being rejected.

*Table 6: Multiple Linear Regression*

Model	Coefficients <sup>a</sup>	Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	.387	.022
	LAG_X1	-.199	.058
	LAG_X2	.039	.013

*Source: Data Processed 2024*

From table 6, the following regression equation is obtained:

$$Y = 0.387 - 0.199X_1 + 0.039X_2 + \epsilon$$

The explanation of the influence of each variable:

- a. The constant value of 0.387 shows the magnitude of the company value influenced by the independent variables. This shows that without independent variable, the dependent variable will change.
- b. The coefficient value for X1 is -0.199, indicating that the variable X1 negatively impact the company's value. If X1 experiences an increase of 1%, the coefficient decreases by -0.199, assuming other variables are not examined in this research
- c. The coefficient value for X2 is 0.039, indicating that the variable X2 positively influence the company's value. If X2 experiences an increase of 1%, the coefficient increases by 0.039, assuming that other variables are not examined in this research.

d.

*Table 7: Correlation Coefficient Analysis Test*

		Correlation		
		LAG_X1	LAG_X2	LAG_Y
LAG_X1	Pearson Correlation	1	-.024	-.425**
			.867	.002
LAG_X2	Pearson Correlation	-.024	1	.366**
		.867		.009
LAG_Y	Pearson Correlation	-.425**	.366**	1
		.002	.009	

*Source: Data Processed 2024*

*Tabel 8: Correlation Test Interpretation*

Variable	Correlation Coefficient	Coefficient Interval	Interpretation
LAG_X1	-.425	0.00 – 0.199	Very Low
LAG_X2	.366	0.20 – 0.399	Low

*Source: Data Processed 2024*

According to the table, the partial correlation results between Institutional Ownership and Company Value are -.0425, indicating a very weak relationship between the two variables. The correlation value shows a negative which mean every increase in X1 will be accompanied by a decrease Y. The partial correlation result of Intellectual Capital with Company Value is 0.366, suggesting a weak relationship between these variables. The positive correlation suggest that an increase in X2 corresponds to an increase in Y.

*Table 9: Coefficient Determination Analysis*

Model Summary <sup>b</sup>				
Model	R	R Square	Adj R Square	Std. Error
1	.554 <sup>a</sup>	.307	.278	.06548

*Source: Data Processed 2024*

Accroding to table 9, Adjusted R Square is 2.7%. Indicates that these two research variables have an influence on the closeness of the relationship of 2.7%, the remainder is impacted by other variables.

*Table 10: t-test Result*

Model	Coefficient		Information
	t	Sig.	
(Constant)	17.756	.000	
LAG_X1	-3.432	.001	Rejected
LAG_X2	2.930	.005	Accepted

*Source: Data Processed 2024*

**Institutional Ownership**

**Result** : The significance level between institutional ownership and company value is 0.001, less than 0.05. the score for institutional ownership in - 3.432 which is lower than 1.996.

**Explanation** : This indicates that institutional ownership has a negative significant influence on company value. As a result, H0 will accepted and Ha will rejected.

**Intellectual Capital**

**Result** : The significance level between intellectual capital and company value is 0.005, less than 0.05. the score for institutional ownership in 2.930 which is higher than 1.996.

**Explanation** : This indicates that intellectual capital has a positive significant impact on company value. As a result, H0 will rejected and Ha will accepted.

*Table 11: f-test Result*

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.089	2	.045	10.430	.000 <sup>b</sup>
	Residual	.202	47	.004		
	Total	.291	49			

*Source: Data Processed 2024*

**Result** : The F test value is 10.430 higher than F table 2.167, and a significance level is 0.000 which is smaller than 0.05.

**Explanation** : This suggests that all independent variables simultaneously have a significant positive impact on company value. As a result, H0 will rejected and Ha will accepted.

## 5. CONCLUSION

Based on findings from the research, can be inferred the identifies the relationship or influence of institutional ownership and intellectual capital on the value of textile and garment companies from 2018 - 2022. Data analysis indicate that institutional ownership does not affect company's value. Consistent with findings by (Santoso & Ardiansyah, 2022) and (Lani & Sufiyati, 2019), which suggest no significant positive effect of institutional ownership on company value, contrasting with (Prasetyo et al., 2020) who found a positive influence. An imbalance of interests between shareholders and management can occur when institutional ownership is not strong enough or active enough to strengthen shareholder control over management. Additionally, many institutions maintain a passive ownership, meaning they are not active in managing the company. The research also reveals that intellectual capital significant positively impacts company value. Consistent with (Halim, 2021) but contradicting (Anggraini et al., 2020) who reported a negative impact of intellectual capital on company value. Intellectual drives innovation, enhancing competitiveness and market share, thereby ultimately increasing company value.

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