The Effect Of Institutional Ownership, Independent Commissioners On Firm Value With Profitability As Intervening Variables

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Abstract: *The prosperity of shareholders depends on the firm value. The fluctuations in firm value are inseparable from management's performance in managing the company. This study aims to determine the effect of institutional ownership, independent commissioners, and profitability on firm value, the effect of institutional ownership and independent commissioners on profitability, as well as the effect of institutional ownership and independent commissioners on firm value with profitability as the intervening variable. The research sample was determined using a purposive sampling judgment method which resulted in 41 companies from a total population of 62 Food and Beverage Subsector Companies listed on the IDX for the 2016-2020 period. This research type is associative research with quantitative methods. The data analysis technique used is path analysis using the SMART PLS 3.0. The results show that institutional ownership significantly affects profitability, and profitability significantly affects firm value, while independent commissioners have no significant effect on profitability. Institutional ownership and independent commissioners have no significant effect on firm value. Institutional ownership and independent commissioners have a significant effect on firm value with profitability as the intervening variable, while profitability cannot mediate the effect of independent commissioners on firm value.*
Keywords: Institutional Ownership, Independent Commissioners, Profitability, Firm Value

Introduction

Indonesia is one of the developing countries on the Asian continent. As a developing country, the country's economy is a very important focus. The state's economic condition during the Covid-19 pandemic in 2020 certainly caused a very sharp economic decline as a consequence of the implementation of the PSBB (Pembatasan Sosial Berskala Besar) (Ministry of Finance, 2021). The implementation of the PSBB resulted in the sluggish economy of most business sectors in Indonesia. Based on data from the Badan Pusat Statistik in 2021, almost all business sectors were affected by the pandemic. This has resulted in most entrepreneurs deciding to stop business activities during the pandemic. Many companies have reduced their employees, which has resulted in higher unemployment rates in Indonesia. To restore economic stability, the government needs contributions from companies in Indonesia (Ministry of Finance, 2021b). In this pandemic condition, the company's ability to meet the needs of the community is very much needed. Apart from products and services, companies listed on the Indonesia Stock Exchange can also help boost the economy by offering shares to the public as an investment vehicle.

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The company's survival during this pandemic is very important, so companies need good funding sources to support company operations pandemic. According to Harjito and Martono (2013) company funds can be sourced from internal (undistributed profit and depreciation) or external (debt and own capital in the form of shares).

To get more opportunities to obtain external funding sources, many companies have listed their shares on the Indonesia Stock Exchange and become public companies (go-public). This is intended so that investors can consider their investment decisions with the disclosure of company information. As of November 1, 2021, the number of go-public companies listed on the Indonesia Stock Exchange is 752 companies. Go-public companies open up opportunities for the public to buy company shares, where the funds obtained from these purchases can be a new source of funds for the company.

Companies listed on the Indonesia Stock Exchange are grouped according to their respective business sectors and sub-sectors. One of the sub-sectors that interest the writer is the Food and Beverage Sub-sector, which is one of the sub-sectors of the Primary Consumer Goods Sector (Consumer Non-Cyclicals). Based on IDX guidelines (2021), this sub-sector produces products that are primary needs which are then distributed to the public either directly or through distributors. The author chose to conduct research in this sub-sector because this sub-sector company produces food and beverage products which are primary needs, so this pandemic period of course requires additional sources of funds to maintain the amount of production to meet the primary needs of the community. In addition, according to a press release from the Ministry of Finance (Kemenkeu) on August 6, 2021, the Food and Beverage Sub-sector also grew by 21.58% in the second quarter of 2021, so this sub-sector is quite feasible to be the subject of this research.

One of the company's external funding sources is investment from investors. To attract investors to invest, the value of the company is very important. Firm value according to Prasetyo (2011) is a value that deserves to be given to company assets. The high and low value of the company is strongly influenced by its share price, so the higher the share price also indicates the wealthier the shareholders are.

Changes in firm value can be caused by various factors. One of the changing factors is the company's financial performance. Financial statements are one source of information on the company's financial performance. According to Harjito and Martono (2013), financial statements are an overview that can explain the financial condition of a company in a certain period. There are many components in one financial report so the financial statements contain various information related to the condition of the company. Information about the company's financial performance that is most often considered is profitability. Profitability according to Harjito and Martono (2013, p. 52) is a ratio that can show the ability to generate profits from company management. Profitability is the component that is most often considered because it involves the company's ability to generate profits, where the profit is a source of return on shareholder investment. Companies that can generate high profits certainly provide more confidence to investors. This makes profitability as one of the factors that can cause changes in the value of the company.

Signaling theory explains how companies provide signals in the form of information on how management maximizes profits to users of financial and non-financial statements (Pristianingrum, 2018). Maximum profit can be demonstrated by a high level of profitability. Thus, the high level of profitability can affect the mindset of investors that the company has high potential in bringing returns on its investment. This investor perception can encourage the approval of investment decisions that have a direct impact on increasing the value of the company. This opinion is supported by the results of research by Pristianingrum (2018), Thanatawee (2014), and Alghifari et al. (2013) which shows that there is a positive and significant effect of profitability on firm value.

The achievement of high profitability cannot be separated from the role of company management (Pristianingrum, 2018). The company's management also takes a role in increasing profitability through the policies it takes. Company policies certainly greatly affect the company's operations. In policymaking, many gaps are open for management who want to put their desires first (Jensen & Meckling, 1976). This of course can be a concern for shareholders. In line with agency theory, shareholders certainly need a system that can ensure every management policy does not deviate from the company's goals. This system can be referred to as Good Corporate Governance (GCG). The definition of GCG according to Rusdiyanto et al. (2019, p. 3) is a tool that can foster the integrity and confidence of stakeholders, which when applied will become a tool in the face of competition. Some of the components of GCG that can cause changes in profitability are institutional ownership and independent commissioners.

Institutional ownership is the presence of institutional investors in the share ownership structure, while independent commissioners are the composition of independent commissioners in the membership of the board of commissioners (Anjasari & Andriati, 2016). The existence of institutional investors can improve supervision of management performance, especially in decision-making. More supervision of management performance can minimize the occurrence of irregularities that can harm shareholders as well as reduce agency conflict between the two so that this can encourage the achievement of the expected profitability. This opinion is supported by the results of research by Lin and Fu (2017) and Saifi (2019) which reveal the positive influence of institutional ownership on profitability.

Independent commissioners according to Effendi (2016) function to represent minority shareholders in overseeing company policies. The existence of an independent commissioner can increase the confidence of minority investors that the policies taken by management do not only benefit the majority party. With the existence of this independent commissioner, the company can reduce agency conflicts between majority and minority shareholders. The independent commissioner's supervision of management performance will also encourage an increase in the company's financial performance. This is supported by research by Fauzi and Locke (2012) and Saifi (2019).

The existence of institutional investors and independent commissioners who can encourage increased profitability can indirectly encourage an increase in firm value as well. This opinion is the basis of the author in conducting this research. This opinion is also supported by the results of research by Patmawati (2017) and Santoso (2018) which reveal that institutional ownership and independent commissioners can affect firm value indirectly through profitability. Several other studies showed different results, namely profitability was not able to mediate the effect of institutional ownership and independent commissioners on firm value (Ibrahim & Muthohar, 2019; Listiyowati & Indarti, 2018). These studies indicate a research gap. So the researcher intends to re-examine the effect of institutional ownership and independent commissioners on firm value with profitability as an intervening variable in Food and Beverage Subsector Companies listed on the Indonesia Stock Exchange for the period 2016 to 2020. Based on the research background, the purpose of this study are to determine the effect of institutional ownership and independent commissioners on firm value and determine the effect of institutional ownership and independent commissioners on firm value with profitability as an intervening variable in Food and Beverage Subsector Companies listed on the Indonesia Stock Exchange for the 2016-2020 period.

Literature Review

Agency theory describes the relationship between the owners or shareholders of the company (principals) and the management (agents). According to Jansen and Meckling (1976), agency theory is related to the relationship between the principal and the agent. It is a cooperation contract between the principal and the agent, where the agent acts on behalf of and for the interests of the principal and has the authority to make the best decisions for the principal. And for these actions, the agent gets certain rewards. Every company that has been listed on the Indonesia Stock Exchange as a go-public company, is required to implement Good Corporate Governance (GCG). This is intended to maintain the comfort of investors who will invest in these public companies. Corporate governance is a system design that directs company management so that it can run professionally and is based on the principle of TARIF (Effendi, 2016). TARIF means Transparency, Accountability, Responsibility, Independence, and Fairness.

Institutional ownership is the presence of institutional investors in the share ownership structure, while independent commissioners are the composition of independent commissioners in the membership of the board of commissioners (Anjasari & Andriati, 2016). The existence of institutional investors can improve supervision of management performance, especially in decision-making. More supervision of management performance can minimize the occurrence of irregularities that can harm shareholders and reduce agency conflict between the two, encouraging the achievement of the expected profitability. According to Jensen and Meckling (1976), the analysis of investment decisions by institutional investors can be considered in making investment decisions. This creates the presence of institutional investors in the company a positive image that can influence the decisions of other investors. According to Anjasari and Andriati (2016), Institutional ownership can be measured by the following formula:

$$\text{Institutional Ownership}= \frac{\text{Number of Institutional Shares}}{\text{Number of Shares Outstanding}} \text{x } 100\%$$

According to Effendi (2016), independent commissioners function to represent minority shareholders in overseeing company policies The existence of an independent commissioner can increase the confidence of minority investors that the policies taken by management do not only benefit the majority party. With the existence of this independent commissioner, the company can reduce agency conflicts between majority and minority shareholders. The independent commissioner's supervision of management performance will also encourage an increase in the company's financial performance.

$$\text{Independent Commissioner}= \frac{(\Sigma \text{ Independent Commissioner})}{(\Sigma \text{ Member of the board of commissioners})} \text{X}100\%$$

Profitability is one part of the financial ratio analysis used to describe the company's condition based on the financial statements data. According to Harjito and Martono (2013, p. 53), "profitability ratio or profitability, which is a ratio that shows the company's ability to benefit from the use of its capital." Profitability can show how the company's performance results in a certain period. The performance results that this ratio can describe are in the form of company profits. According to Thanatawee (2014), profitability can be proxied by return on assets (ROA) with the following formula:

$$\text{ROA}= \frac{\text{Net Income After Tax}}{\text{Total Assets}}$$

The ROA formula that divides net income by total assets shows how a company manages each of its assets to generate a net profit or loss. The results of this ratio show the contribution of every one rupiah of total assets in generating the net profit or loss listed on the income statement. The higher ROA shows the effectiveness of the company in managing its assets to generate profits.

According to Prasetyo (2011), firm value is a value that deserves to be given to the company's assets. The company's value reflects the management's performance from the increase in the company's assets. Increasing company assets can be shown by increasing the company's funding sources. Corporate funding sources are generally obtained from internal and external sources (company profits) (additional capital, and debt). As the company's assets increase, the owner's wealth will also increase. Thus, according to Harjito and Martono (2013, p. 3), one of the goals of establishing a company is achieved, namely to obtain the maximum profit possible in order to achieve the prosperity of the owner of the company.

Measurement of firm value, according to Thanatawee (2014), can use Tobin's Q with the following formula:

$$Q = \frac{\text{Market value of Equity+Book value of Debt}}{\text{Book value of Total Assets}}$$

Tobin's Q value which is more than one, indicates the company's stock is in an overvalued condition and an undervalued condition when it is less than one (Ali, Mahmud, and Lima, 2016). The higher Tobin's Q value indicates the company's market price that exceeds its book value. The higher the value of Tobin's Q, the company's owner will get a greater return than the value of the investment invested in the company. The value of Tobin's Q is often associated with stock prices because the higher the stock price, the higher the selling value of the company.

Methodology

This research is in the form of an associative with quantitative methods and a causal relationship approach to determine whether or not there is an influence between two or more variables. The research was conducted on Food and Beverage Subsector Companies listed on the IDX for the 2016-2020 period with the purposive sampling judgment method of taking samples.

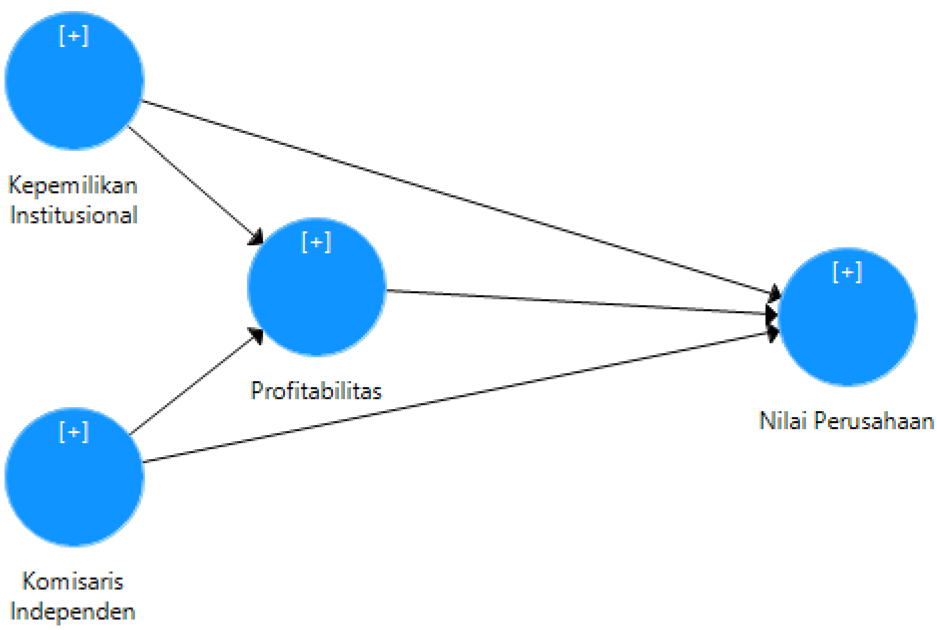
Table 1. Sampling Process with Purposive Sampling Method: Judgment

Criteria	Amount
Food and Beverage Subsector Companies listed on the IDX for the 2016 to 2020 period	62
Companies registered after 2016	(18)
Companies that do not present complete financial statements to analyze research variables	(1)
Companies whose annual reports do not use the value of the rupiah during the period of 2016 to 2020	(2)
Number of samples obtained	**41**
Number of observation samples = 41 companies x 5 years period	**205**

Source: Processed Data, 2021

The data obtained were analyzed using Smart PLS software version 3.0. The research data was obtained by using documentary study techniques and literature studies. There are four variables in this study, which consist of two independent variables (institutional ownership and independent commissioners), one dependent variable (firm value), and one intervening variable (profitability).

Figure 1. Conceptual Framework



Based on the conceptual framework, the hypotheses in this study are as follows:

H_1 = Institutional ownership has a significant and positive effect on profitability.

H_2 = Institutional ownership has a significant and positive effect on firm value.

H_3 = Independent commissioners have a significant and positive effect on profitability.

H_4 = Independent commissioners have a significant and positive effect on firm value.

H_5 = Profitability has a significant and positive effect on firm value.

H_6 = Institutional ownership has a significant and positive effect on firm value with profitability as the intervening variable.

H_7 = Independent commissioners have a significant and positive effect on firm value with profitability as the intervening variable.

Findings & Discussion

Descriptive statistical analysis aims to describe the variables used in the study.

Table 2. Descriptive Statistics

Descriptive Statistics					
	N	Min	Max	Mean	Std. Dev
Institutional ownership	205	.03	.99	.68	.18
Independent commissioners	205	.30	.67	.40	.08
Profitability	205	-2.64	.61	.03	.23
Firm Value	205	.55	12.26	1.76	1.73
Valid N (listwise)	205				

Source: SPSS Output Data, 2021

Based on Table 2, it can be seen that the amount of data (N) of all variables is the same, which is 205. Overall research data for each variable was obtained from 41 companies during the observation period from 2016 to 2020. The following is a discussion of descriptive statistics for each. each variable in this study:

1. X_1 (Institutional Ownership)
   The value of institutional ownership ranges from 0,03 (minimum) to 0,99 (maximum). The distance between the smallest to the largest data is 0,96 (range). The average value is 0,68 with a standard deviation of 0,18, so it can be concluded that the institutional ownership data in this study is less diverse.
2. X_2 (Independent Commissioners)
   The value of independent commissioners ranges from 0,30 (minimum) to 0,67 (maximum). The distance between the smallest to the largest data is 0,37 (range). The average value is 0,40 with a standard deviation of 0,08, so it can be concluded that the independent commissioner data in this study is less diverse.
3. Z (Profitability - ROA)
   The value of ROA ranges from -2,64 (minimum) to 0,61 (maximum). The distance between the smallest to the largest data is 3,25 (range). The average value is 0,03 with a standard deviation of 0,23, so it can be concluded that ROA data in this study are quite diverse.
4. Y (Firm Value – Tobin's Q)
   The value of Tobin's Q ranges from 0,55 (minimum) to 12,26 (maximum). The distance between the smallest to the largest data is 11,71 (range). The average value is 1,76 with a standard deviation of 1,73, so it can be concluded that Tobin's Q data in this study is less diverse.

Table 3. R Square Test

	R Square	R Square Adjusted

Firm Value	0,245	0,234
Profitability	0.071	0.062

The results of the R Square test illustrate the magnitude of the influence of the independent variable on the dependent variable. Table 3 shows the results of R Square on of 0.245 or 24,5%. This explains that Institutional Ownership and Independent Commissioners affect firm value by 24,5%, besides that it is influenced by other factors outside the model. The value of R Square on profitability is 0.071 or 7.1%, which means that the effect of Institutional Ownership and Independent Commissioners affect on profitability is only 7.1% while the rest is influenced by other factors outside the model.

Hypothesis testing is done to prove the truth of the hypothesis built, namely the direct effect between variable using SmartPLS. The test results can be seen in Table 4.

Table 4. Hypothesis Test

	Original Sample (O)	T Statistics (|O/STDEV|)	P Values	Conclusion
Institutional Ownership _ -> Profitability _	0,18	4.241,00	0.000	H1 Accepted
Institutional Ownership _ -> Firm Value	-0.002	0.040	0,672	H2 Rejected
Independent Commissioners _ -> Profitability _	-0.035	0,33	0,441	H3 Rejected
Independent Commissioners _ -> Firm Value	-0.085	1.119,00	0,183	H4 Rejected
Profitability _ -> Firm Value _	0,34	4.899,00	0.000	H5 Accepted
Institutional Ownership _ -> Profitability _ -> Firm Value _	0,09	3.036,00	0.003	H6 Accepted
Independent Commissioners _ -> Profitability _ -> Firm Value _	-0.017	0,33	0,442	H7 Rejected

Table 3 above shows that the effect of Institutional Ownership on profitability is significant with T-statistics (4,241)>T-tables (1.96) and a significant level of 0.000 <0.05 (α= 5%). The original sample estimate value is 0.18, which shows that the direction of the relationship between Institutional Ownership and profitability is positive. Thus, the H1 hypothesis is accepted.

Hypothesis 2 states that Institutional Ownership has a significant effect on firm value. From Table 3 can be seen that the effect is not significant, T-statistic is 0,040, which is lower than the value of the T-table 1.96 (p = 0.672>0.05). The original sample estimate value is -0.002, which shows that the effect of Institusional Ownership on firm value is negative. Based on these results, it can be said that hypothesis 2 is rejected.

The path coefficient in the Table above also shows that the influence of Independent Commissioners on profitability is not significant with a T-statistic value of 1,119 < of T-table of 1.96 and a significant level of 0.183 > 0.05 (α = 5%). The value of the original sample is -0.035. Thus it can be concluded that the Independent Commissioners has a negative effect on profitability, so the H3 hypothesis in this study was rejected.

Hypothesis 4 states that Independent has a significant effect on firm value. From Table 3 can be seen that the effect is not significant, T-statistic is 1.119, which is lower than the value of the T-table 1.96 (p = 0.183>0.05). The original sample estimate value is -0.085, which shows that the effect of Institusional Ownership on firm value is negative. Based on these results, it can be said that hypothesis 4 is rejected.

The path coefficient in the Table above also shows that the influence of profitability on firm value is significant with a T-statistic value of 4.899 > of T-table of 1.96 and a significant level of 0.000 < 0.05 (α = 5%). The value of the original sample is 0,34. Thus it can be concluded that the profitability has a positive effect on firm value, so the H5 hypothesis in this study was accepted.

The effect of Institutional Ownership on firm value mediated by profitability shows T-statistic value of 3.036 > of T-table of 1.96 and a significant level of 0.003 < 0.05 (α = 5%). This shows that Institutional Ownership have effect firm value mediated by profitability. This is in line with the hypothesis that Institutional Ownership effects firm value mediated by profitability. Thus hypothesis 6 is accepted.

The effect of Independent Commissioners on firm value mediated by profitability shows T-statistic value of 0.33 < of T-table of 1.96 and a significant level of 0.442 > 0.05 (α = 5%). This shows that Independent Commissioners does not effect firm value mediated by profitability. This is not in line with the hypothesis that Independent Commissioners effects firm value mediated by profitability. Thus hypothesis 7 is rejected.

DISCUSSION

The Effect of Institutional Ownership on Profitability.

The results of testing the hypothesis 1 show that institutional ownership has a significant and positive effect on profitability as proxied by ROA, so it follows the hypothesis 1. The results of this test are in line with the results of research by Lin and Fu (2017) and Saifi (2019), which show a positive influence of institutional ownership on profitability, but not in line with research conducted by Wulandari (2006). The significant and positive effect of institutional ownership on profitability indicates that ownership of an institution in a business entity will increase the supervision carried out on the business entity. Because an institution will maintain and supervise its investment correctly, it has a great interest in its investment. Thus, there will be increased control over management policies, which will improve management performance. Based on this study's results, most sample companies are owned by institutional ownership. Increased institutional ownership will improve profitability proxied by ROA.

The Effect of Institutional Ownership on Firm Size.

The results of testing the hypothesis 2 show that institutional ownership has not a significant and negative effect on firm value as proxied by Tobins'Q, so hypothesis 2 is rejected. The results of this test are not in line with the results of research by Dewi and Abundanti (2019), but in line with research conducted by Thanatawee (2014), Lin and Fu (2017), dan Anjasari and Andriati (2016).

Institutional ownership does not affect firm value means that an increase or decrease in the percentage of institutional ownership does not affect firm value, so it cannot be used to boost firm value. It can happen because institutional investors have not been able to correctly monitor manager performance (Sari dan Wulandari, 2021). Institutional investors with more financial and business skills have not been involved in strategic decision-making and tend to rely only on managers. The lack of involvement of institutional investors causes the supervision and control of institutional investors cannot be felt by managers so that it does not affect stock prices and firm value.

The Effect of Independent Commissioners on Profitability

The results of testing the hypothesis 3 show that independent commissioners has not a significant and negative effect on profitability as proxied by ROA, so hypothesis 3 is rejected. The results of this test are not in line with the results of research by Fauzi and Locke (2012) dan Saifi (2019), but in line with research conducted by Achmad (2012). The insignificant effect of independent commissioners on profitability, according to Achmad (2012), can be caused by the relatively small number of independent commissioners. For some companies, the existence of independent commissioners is to fulfil the requirements given by the OJK. OJK regulation number 57/POJK.04/2017 requires that the composition of independent members on the board of commissioners is at least thirty percent. The existence of an independent commissioner considered a formality will cause its supervision to be ineffective, so it is not significant enough to affect profitability as proxied by ROA.

The Effect of Independent Commissioners on Firm Size

The results of testing the hypothesis 4 show that independent commissioners has not a significant and negative effect on firm value as proxied by Tobins'Q, so hypothesis 2 is rejected. The results of this test are not in line with the results of research by Fauzi and Locke (2012) dan Anjasari and Andriati (2016) but in line with research conducted by Widianingsih (2018). Independent commissioners do not affect firm value means that the Independent commissioner of the company still has an affiliation with the management. There is no guarantee that the independent commissioner selected at RUPS is a member wholly unaffiliated with the management. OJK regulation number 57/POJK.04/2017 allows independent commissioners to serve more than one term of office, so the commissioner's independence is often doubted. Independent commissioners affiliated with management cannot prevent other boards of commissioners from abusing their authority and harming minority parties. It raises doubts for potential investors to use independent commissioners as an indicator of investment decision-making.

The Effect of Profitability on Firm Size

Profitability in this study is proxied by ROA, which measures how much profit the company can generate from its total assets. The results of testing the influence of profitability in this study indicate that profitability has a significant and positive effect on firm value, so hypothesis 5 is accepted. These results are consistent with the empirical studies of Pristianingrum (2018), Thanatawee (2014), and Alghifari et al. (2013), which shows that there is a positive and significant effect of profitability on firm value. The positive effect of profitability on firm value indicates that companies with high profitability can also have high firm values. This result follows the signalling theory, which shows that management can provide signals to investors through financial information to guide investment decisions (Pristianingrum, 2018).

Signals given by management to investors can be found by interpreting and analyzing information from management. This information is contained in the financial statements. The profit obtained by the company is one of the pieces of information that investors can use as necessary information. Large profits can allow for the distribution of dividends that can benefit investors. Good signals received by investors will encourage more investment amounts. The increasing demand for shares will increase the share price, impacting the firm value.

Profitability as a Mediating Variable Between Institutional Ownership on Firm Value

The findings of this study indicate that profitability mediates the relationship between institusional ownership and firm value. This result follows the research of Patmawati (2017) and Santoso (2018), which show that institutional ownership can affect firm value indirectly through profitability, but it is not in line with the research of Listiyowati and Indarti (2018).

Profitability can mediate the relationship between institutional ownership and firm value.

It can not be separated from the demands of the stakeholders to get a rate of return from the investments that have been issued, so it requires management to maximize profits so that financial performance becomes better and more profitable for investors. This research is in line with the research of Santoso (2018), which states that when the level of profit in financial performance achieved by the company is getting better, it will have a positive effect on increasing the value of the company, meaning that the higher the financial performance as measured by Return on Assets (ROA), the higher the return on assets (ROA). Good asset productivity in obtaining net profit. It proves that if supply is high, it will increase demand. This matter will further increase the company's attractiveness to investors. The increase in the company's attractiveness makes the company more attractive to investors because the profit level will be even greater. Therefore, Return on Assets is one factor that affects the firm value and can mediate the relationship between institutional ownership and firm value. A high number of shareholdings by institutional parties can create a synergy between the interests of managers and investors so that the company can realize its primary goal, which is to optimally increase the firm value.

Profitability as a Mediating Variable Between Independent Commissioners on Firm Value

The results of this study indicate that it is known that independent commissioners have no significant and negative effect on firm value with profitability as an intervening variable, so hypothesis 7 is rejected. This result is not following the empirical studies of Patmawati (2017) but follows the empirical studies of Listiyowati and Indarti (2018) and Ibrahim and Muthohar (2019). It can be caused by the small number of members of the board of commissioners and tends to be at a minimum. In addition, its existence can also complicate the company's decision-making due to differences in interests with other boards of commissioners, so its existence tends to harm the profitability and value of the company. The phenomenon of companies in Indonesia that tend to be controlled by families also allows for minimal differences of opinion if the supervision is carried out entirely by commissioners who are affiliated with the family.

Its existence considered a formality, can also enable the independent commissioners elected at the RUPS to continue affiliating with the company's management. The phenomenon of independent commissioners who can serve for more than one term of office also affects the perception of potential investors that the commissioners are not entirely independent. Potential investors who doubt the supervision of the performance of independent commissioners tend not to use it as an indicator of increasing profitability that can influence their investment decision-making.

Conclusion and Suggestion

Based on the analysis and discussion in the previous chapter, it concludes that institutional ownership significantly affects profitability, and profitability significantly affects firm value, while independent commissioners have no significant effect on profitability. Institutional ownership and independent commissioners have no significant effect on firm value. Institutional ownership and independent commissioners have a significant effect on firm value with profitability as the intervening variable, while profitability cannot mediate the effect of independent commissioners on firm value.

Based on the existing discussion and conclusions, the authors provide the following suggestions for companies included in the Food and Beverage Sub-sector on the IDX, the authors suggest that they pay more attention to the presence of institutional investors in the share ownership structure. It is because the existence of institutional investors can influence the mindset of potential investors regarding agency conflicts within the company, which will affect their investment decisions. In addition, the authors suggest that companies pay more attention to the level of profitability. Companies need to maintain profitability performance which is also a consideration for investors in making investment decisions.

For potential investors who want to invest in Food and Beverage Subsector Companies on the IDX, the presence of institutional investors and the level of profitability can be additional considerations in making investment decisions. For future researchers interested in conducting similar research, the authors suggest expanding the scope of research, such as conducting similar research in the Manufacturing Sector on the IDX. In addition, the authors also suggest adding other independent variables related to profitability and firm value, such as managerial ownership, board of directors, audit committee, firm size, and firm age.

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