

The Effect Of Capital Expenditure And Institutional Ownership On The Value Of Pharmaceutical Sub-Sector Companies On The Idx 2020–2024 Period

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Abstract

The pharmaceutical subsector has experienced developments after the COVID-19 pandemic, making investment decisions and ownership structures crucial in determining firm value. This study aims to analyze the effect of Capital Expenditure and institutional ownership, both partially and simultaneously, on firm value. The study uses an associative quantitative approach with secondary data in the form of annual financial reports of pharmaceutical subsector companies listed on the Indonesia Stock Exchange for the period 2020 to 2024. The population consists of 13 companies, and 8 companies were selected through purposive sampling, resulting in 40 observations. Capital Expenditure, institutional ownership, and firm value, proxied by Price to Book Value, were analyzed using panel data regression with EViews 10. The Fixed Effect Model was selected based on the Chow and Hausman test. The results show that Capital Expenditure has a negative and significant effect on firm value, while institutional ownership has no significant effect. Simultaneously, both variables have a significant effect on firm value with an Adjusted R-squared of 52%.

Keywords Capital Expenditure, Pharmaceutical Industry, Institutional Ownership, Firm Value, Price to Book Value

INTRODUCTION

The healthcare and pharmaceutical sectors in Indonesia have seen growth following the COVID-19 pandemic, driven by increased public awareness of health. This situation has driven demand for pharmaceutical products, medical devices, and medical services, as well as industry growth in terms of production, innovation, and investment (Central Bureau of Statistics, 2022). These developments have also increased attention to pharmaceutical subsector companies listed on the Indonesia Stock Exchange (IDX).

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IJEBIR, Volume 05 Issue 06, 2026



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Corporate value reflects investors' perceptions of a company's performance and prospects. Data from 2020 to 2024 shows that stock prices, equity, capital expenditure, institutional ownership, and PBV in pharmaceutical companies exhibited different patterns. This indicates that changes in company performance are not always followed by changes in company value in the same direction.

The problem is evident in the inconsistent relationship between Capital Expenditure and company value. PT Kalbe Farma Tbk (KLBF) experienced an increase in Capital Expenditure from 1.98% to 3.75%, but its PBV decreased from 3.80 times to 2.54 times. Conversely, PT Pyridam Farma Tbk (PYFA) has high and fluctuating Capital Expenditure, but its PBV continues to fluctuate. This condition aligns with the differences in research results by Kusnia et al. (2024) who found a significant effect of capital expenditure on company value and Salsabila et al. (2024) who showed that capital expenditure does not always increase company value.

Problems are also evident in institutional ownership, which has not always been accompanied by an increase in company value. PT Kimia Farma Tbk (KAEF) has approximately 94% institutional ownership, but its PBV decreased from 3.32 times to 0.98 times. Conversely, PT Tempo Scan Pacific Tbk (TSPC) experienced an increase in institutional ownership from 82% to 89%, with a PBV of 1.23 times. This difference is reinforced by the results of Berliana and Martini (2024), who found a positive effect of institutional ownership on company value, while Rahman and Ridwan (2024) found that institutional ownership had no significant effect.

Based on these phenomena and research gaps, this study aims to examine the influence of Capital Expenditure and institutional ownership partially or simultaneously on company value in pharmaceutical sub-sector companies listed on the IDX for the period 2020 to 2024. This study is important to provide empirical evidence regarding the relationship between these three variables, with novelty in the pharmaceutical sub-sector object and the observation period 2020 to 2024.

METHOD

This study uses an associative approach with quantitative methods to examine the effect of Capital Expenditure and Institutional Ownership on Company Value in pharmaceutical subsector companies listed on the Indonesia Stock Exchange (IDX) for the period 2020 to 2024. The associative approach is used to examine the causal relationship between variables (Sugiyono, 2021), while the quantitative method is used to analyze numerical data objectively (Handani, et al., 2020).

The data used is secondary data in the form of company annual financial reports obtained from official company sources and the IDX. The data is a combination of time



series and cross-sectional data from 2020 to 2024, allowing for analysis of relationships between variables and changes over time (Rukajat, 2018; Nuryani et al., 2023).

The research instrument consisted of annual financial report data from sample companies, which were used to measure Capital Expenditure, Institutional Ownership, and Firm Value. Capital Expenditure was calculated based on changes in fixed assets to total assets (Salsabila et al., 2024), Institutional Ownership was calculated based on the number of institutional shares to the number of outstanding shares (Berliana and Martini, 2024), while Firm Value was proxied by Price to Book Value (PBV) (Husnan and Pudjiastuti, 2015, revised edition 2019).

Data collection was conducted through documentation, literature review, and searches of the company's official website and the IDX. The data were then processed using Microsoft Excel and EViews 10. Analysis was conducted through descriptive statistics, panel data regression, CEM, FEM, and REM model selection, classical assumption tests, and hypothesis testing in the form of t-tests, F-tests, and coefficients of determination (Sugiyono, 2018; Basuki, 2021; Ghozali, 2018; Hery, 2020; Sarwono and Narimawati, 2021).

The research population was 13 pharmaceutical sub-sector companies listed on the IDX for the period 2020 to 2024. The sample was selected using purposive sampling based on the criteria of completeness of data, no negative equity, and stock trading activity that allows closing prices to reflect market conditions (Sugiyono, 2018).

Based on these criteria, eight companies were selected as samples: SIDO, KLBF, KAEF, MERK, TSPC, PEHA, DVLA, and PYFA. With a five-year observation period, the study used 40 observations.

The research was conducted through observation, title determination, data collection, proposal development, data processing, data analysis, and the preparation of research results. The financial report data for the sample companies from 2020 to 2024 was collected from official company sources and the IDX.

The data was then processed using Microsoft Excel to obtain the values of Capital Expenditure, Institutional Ownership, and PBV, then analyzed using EViews 10. The analysis was carried out through panel data regression, model selection, classical assumption testing, and hypothesis testing to determine the effect of Capital Expenditure and Institutional Ownership on Company Value.



RESULTS AND DISCUSSION**Research Variable Calculation Results****Table1 Capital Expenditure Calculation for the 2020-2024 Period
(In Thousands of Rupiah)**

Company name	Year	Current Year Fixed Assets	Fixed Assets of the Previous Year	Total Assets	CapEx
PT Sido Muncul Herbal Medicine and Pharmaceutical Industry, Tbk (SIDO)	2020	1,797,435,000	1,813,322,000	3,849,516,000	- 0.41%
	2021	1,824,263,000	1,797,435,000	4,068,970,000	0.66%
	2022	1,887,200,000	1,824,263,000	4,081,442,000	1.54%
	2023	1,823,936,000	1,887,200,000	3,890,706,000	- 1.63%
	2024	1,736,074,000	1,823,936,000	3,939,625,000	- 2.23%
PT Kalbe Farma, Tbk (KLBF)	2020	9,488,968,436	9,042,235,884	22,564,300,317	1.98%
	2021	9,954,425,648	9,488,968,436	25,666,635,156	1.81%
	2022	10,531,083,455	9,954,425,648	27,241,313,025	2.12%
	2023	11,139,844,081	10,531,083,455	27,057,568,182	2.25%
	2024	12,242,059,470	11,139,844,081	29,429,727,898	3.75%
PT Kimia Farma, Tbk (KAEF)	2020	11,469,712,676	11,008,090,009	17,562,816,674	2.63%
	2021	11,559,431,902	11,469,712,676	17,760,195,040	0.51%
	2022	11,852,570,611	11,559,431,902	20,353,992,893	1.44%
	2023	11,422,017,050	11,852,570,611	16,630,699,447	- 2.59%
	2024	11,034,379,541	11,422,017,050	14,967,031,490	- 2.59%



Company name	Year	Current Year Fixed Assets	Fixed Assets of the Previous Year	Total Assets	CapEx
PT Merck, Tbk (MERK)	2020	251,496,286	226,050,287	929,901,046	2.74%
	2021	258.144.160	251,496,286	1,026,266,866	0.65%
	2022	242,059,927	258.144.160	1,037,647,240	- 1.55%
	2023	239,620,584	242,059,927	957,814,110	- 0.25%
	2024	247,336,949	239,620,584	956,936,728	0.81%
PT Tempo Scan Pacific, Tbk (TSPC)	2020	3,163,561,349	2,940,131,192	9,104,657,533	2.45%
	2021	3,405,341,058	3,163,561,349	9,644,326,662	2.51%
	2022	3,644,559,962	3,405,341,058	11,328,974,079	2.11%
	2023	3,723,884,104	3,644,559,962	11,315,730,833	0.70%
	2024	3,699,688,792	3,723,884,104	12,489,189,257	- 0.19%
PT Phapros, Tbk (PEHA)	2020	931,873,961	898,025,516	1,915,989,375	1.77%
	2021	889,414,582	931,873,961	1,838,539,299	- 2.31%
	2022	857,337,078	889,414,582	1,806,280,965	- 1.78%
	2023	839,176,020	857,337,078	1,768,708,718	- 1.03%
	2024	798,927,378	839,176,020	1,430,039,358	- 2.81%
PT Darya Varia, Tbk (DVLA)	2020	586,470,000	549,748,381	1,986,711,872	1.85%
	2021	556,249,409	586,470,000	2,082,911,322	- 1.45%

Company name	Year	Current Year Fixed Assets	Fixed Assets of the Previous Year	Total Assets	CapEx
	2022	561,165,974	556,249,409	2,009,139,485	0.24%
	2023	601.190.438	561,165,974	2,042,171,821	1.96%
	2024	639,651,882	601.190.438	2,161,538,138	1.78%
	2020	99,232,960	94,839,789	228,575,380	1.92%
PT Pyridam Farma, Tbk (PYFA)	2021	479,790,669	99,232,960	806.221.575	47.20 %
	2022	979,576,166	479,790,669	1,520,568,653	32.87 %
	2023	952,744,774	979,576,166	1,527,269,430	- 1.76%
	2024	4,274,033,369	952,744,774	5,811,090,528	57.15 %

Table 2 Calculation of Institutional Ownership for the Period 2020-2024

Company name	Year	Number of Institutional Ownership Shares (Rp)	Number of Shares Outstanding	KI
PT Sido Muncul Herbal Medicine and Pharmaceutical Industry, Tbk (SIDO)	2020	24,300,000,000	30,000,000,000	81%
	2021	24,478,282,442	30,000,000,000	82%
	2022	23,278,282,442	30,000,000,000	78%
	2023	23,278,282,442	30,000,000,000	78%
	2024	23,278,282,442	30,000,000,000	78%
PT Kalbe Farma, Tbk (KLBF)	2020	26,751,692,485	46,875,122,110	57%
	2021	27,148,327,585	46,875,122,110	58%
	2022	27.182.158.685	46,875,122,110	58%
	2023	32,628,841,308	46,875,122,110	70%
	2024	27,185,158,685	46,875,122,110	58%
PT Kimia Farma, Tbk (KAEF)	2020	5,246,982,199	5,554,000,000	94%
	2021	5,246,982,199	5,554,000,000	94%

Company name	Year	Number of Institutional Ownership Shares (Rp)	Number of Shares Outstanding	KI
	2022	5,246,982,199	5,554,000,000	94%
	2023	5,246,541,599	5,566,490,351	94%
	2024	5,247,237,799	5,566,585,107	94%
PT Merck, Tbk (MERK)	2020	388,194,920	448,000,000	87%
	2021	388,194,920	448,000,000	87%
	2022	388,194,920	448,000,000	87%
	2023	388,194,920	448,000,000	87%
	2024	388,194,920	448,000,000	87%
PT Tempo Scan Pacific, Tbk (TSPC)	2020	3,674,161,618	4,500,000,000	82%
	2021	3,704,766,118	4,509,864,300	82%
	2022	3,887,731,118	4,509,864,300	86%
	2023	3,887,731,118	4,509,864,300	86%
	2024	4,016,819,718	4,509,864,300	89%
PT Phapros, Tbk (PEHA)	2020	476,901,860	840,000,000	57%
	2021	476,901,860	840,000,000	57%
	2022	476,901,860	840,000,000	57%
	2023	476,901,860	840,000,000	57%
	2024	476,901,860	840,000,000	57%
PT Darya Varia, Tbk (DVLA)	2020	1,031,800,912	1,120,000,000	92%
	2021	1,031,800,912	1,120,000,000	92%
	2022	1,031,800,912	1,120,000,000	92%
	2023	1,031,800,912	1,120,000,000	92%
	2024	1,031,737,312	1,120,000,000	92%
PT Pyridam Farma, Tbk (PYFA)	2020	392,947,014	535,080,000	73%
	2021	394,770,714	535,080,000	74%
	2022	404,379,614	535,080,000	76%
	2023	382,742,114	535,080,000	72%
	2024	7,336,626,177	11,236,680,000	65%



Table 3 Calculation of Company Value for the Period 2020-2024

Company name	Year	Stock price (Rp)	Total Equity (Rp)	Number of Shares Outstanding	NBVS	PBV (time)
PT Sido Muncul Herbal Medicine and Pharmaceutical Industry, Tbk (SIDO)	2020	805	3,221,740,000,000	30,000,000,000	107	7.50
	2021	865	3,471,185,000,000	30,000,000,000	116	7.48
	2022	755	3,505,475,000,000	30,000,000,000	117	6.46
	2023	525	3,385,941,000,000	30,000,000,000	113	4.65
	2024	590	3,487,844,000,000	30,000,000,000	116	5.07
PT Kalbe Farma, Tbk (KLBF)	2020	1,480	18,276,082,144,080	46,872,947,110	389	3.80
	2021	1,615	21,265,877,793,123	46,872,947,110	453	3.56
	2022	2,090	22,097,328,202,398	46,255,641,410	477	4.37
	2023	1,610	23.120.022.010.215	46,255,641,410	499	3.22
	2024	1,360	24,590,433,810,486	45,951,464,210	535	2.54
PT Kimia Farma, Tbk (KAEF)	2020	4,250	7,105,672,046,000	5,554,000,000	1,279	3.32
	2021	2,430	7,231,872,635,000	5,554,000,000	1,302	1.87
	2022	1,085	9,339,290,330,000	5,554,000,000	1,681	0.65
	2023	1,445	4,778,240,335,000	5,566,490,351	858	1.26
	2024	605	3,428,808,544,000	5,566,585,107	615	0.98
PT Merck, Tbk (MERK)	2020	3,280	612,683,025,000	448,000,000	1,367	2.40
	2021	3,690	684,043,788,000	448,000,000	1,526	2.42
	2022	4,750	757,241,649,000	448,000,000	1,690	2.81
	2023	4,180	795,879,793,000	448,000,000	1,776	2.35
	2024	3,600	807,273,556,000	448,000,000	1,801	2.00
PT Tempo Scan Pacific, Tbk (TSPC)	2020	1,400	6,377,235,707,755	4,500,000,000	1,417	0.99
	2021	1,500	6,875,303,997,165	4,509,864,300	1,525	0.98
	2022	1,410	7,550,757,105,430	4,509,864,300	1,674	0.84
	2023	1,835	8,065,636,792,302	4,509,864,300	1,788	1.03
	2024	2,500	9,150,826,562,797	4,509,864,300	2,029	1.23
PT Phapros, Tbk (PEHA)	2020	1,695	740,909,054,000	840,000,000	882	1.92
	2021	1.105	740,977,263,000	840,000,000	882	1.25
	2022	685	771,816,074,000	840,000,000	918	0.75
	2023	640	676,756,589,000	840,000,000	805	0.70
	2024	324	393,122,351,000	840,000,000	468	0.69
	2020	2,420	1,326,287,143,000	1,120,000,000	1,184	2.04
	2021	2,750	1,391,412,139,000	1,120,000,000	1,242	2.23

Company name	Year	Stock price (Rp)	Total Equity (Rp)	Number of Shares Outstanding	NBVS	PBV (time)
PT Darya Varia, Tbk (DVLA)	2022	2,370	1,403,620,581,000	1,120,000,000	1,253	1.89
	2023	1,665	1,404,432,093,000	1,120,000,000	1,253	1.33
	2024	1,600	1,448,972,508,000	1,120,000,000	1,293	1.24
PT Pyridam Farma, Tbk (PYFA)	2020	975	157,631,750,155	535,080,000	294	3.31
	2021	1,015	167.100.567.456	535,080,000	312	3.25
	2022	865	442,357,487,241	535,080,000	826	1.05
	2023	1,145	357,059,703,979	535,080,000	667	1.72
	2024	210	1,039,546,109,398	11,236,680,000	92	2.27

Descriptive Analysis**Table 4 Descriptive Statistical Analysis**

	X1	X2	Y
Mean	0.038725	0.778650	2.495800
Median	0.011000	0.816000	2.015000
Maximum	0.572000	0.940000	7.496000
Minimum	-0.028000	0.560000	0.640000
Std. Dev.	0.125223	0.138037	1.764819
Skewness	3.367617	-0.507475	1.401884
Kurtosis	13.19463	1.828719	4.487221
Jarque-Bera	248.8231	4.003371	16.78823
Probability	0.000000	0.135107	0.000226
Sum	1,549,000	31.14600	99.83200
Sum Sq. Dev.	0.611552	0.743117	121.4688
Observations	40	40	40

Based on Table 4, the results of the descriptive analysis show that Capital Expenditure has an average of 0.038725 with a standard deviation of 0.125223, a maximum value of 0.572000, and a minimum of -0.028000, indicating variations in investment between companies. Institutional Ownership has an average of 0.778650 with a standard deviation of 0.138037, a maximum value of 0.940000, and a minimum of 641

0.560000. This indicates that the level of institutional ownership tends to be high and relatively stable. Firm Value proxied by PBV has an average of 2.495800 with a standard deviation of 1.764819, a maximum value of 7.496000, and a minimum of 0.640000. This indicates variations in firm value, although the data distribution is still relatively controlled.

Panel Data Regression Estimation Method

Table 5 Common Effect Model (CEM) Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.711935	3.818730	1.757635	0.0901
X1	-30.51412	38.85573	-0.785319	0.4391
X2	-8.275822	4.840960	-1.709542	0.0988
R-squared	0.115519	Mean dependent variable		0.154741
Adjusted R-squared	0.050002	SD dependent var		4.134543
SE of regression	4.029850	Akaike info criterion		5.719975
Sum squared residual	438.4716	Schwarz criterion		5.860094
Log likelihood	-82.79962	Hannan-Quinn criter.		5.764800
F-statistic	1.763191	Durbin-Watson stat		1.248832
Prob(F-statistic)	0.190675			

Table 6 Fixed Effect Model (FEM) Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.185931	4.438692	-0.041889	0.9670
X1	-134.0369	35.45306	-3.780687	0.0010
X2	1.366095	5.787864	0.236027	0.8156
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.635886	Mean dependent variable		0.154741
Adjusted R-squared	0.520031	SD dependent var		4.134543
SE of regression	2.864402	Akaike info criterion		5.165775
Sum squared residual	180.5056	Schwarz criterion		5.539427
Log likelihood	-69.48662	Hannan-Quinn criter.		5.285309



F-statistic	5.488659	Durbin-Watson stat	2.139890
Prob(F-statistic)	0.000944		

Table 7 RANDOM EFFECT MODEL (REM) RESULTS

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.488050	3.322980	1.651544	0.1102
X1	-69.05922	30.45478	-2.267599	0.0316
X2	-6.425789	4.206809	-1.527473	0.1383
Effects Specification				
			Elementary School	Rho
Random cross-section			1.378852	0.1881
Idiosyncratic random			2.864402	0.8119
Weighted Statistics				
R-squared	0.177104	Mean dependent variable		0.105322
Adjusted R-squared	0.116149	SD dependent var		3.694519
SE of regression	3.473341	Sum squared residual		325.7307
F-statistic	2.905482	Durbin-Watson stat		1.401732
Prob(F-statistic)	0.071970			

Selection of Panel Data Estimation Model Techniques

Table 8 Chow Test

Redundant Fixed Effects Tests				
Equation: Untitled				
Cross-section fixed effects test				
Effects Test	Statistics	df	Prob.	
Cross-section F	6.288175	(7.30)	0.0009	
Cross-section Chi-square	26.626002	7	0.0001	

Table 9 Hausman Test

Correlated Random Effects - Hausman Test				
Equation: Untitled				
Cross-section random effects test				
Test Summary	Chi-Sq. Statistic	Chi-Sq. df	Prob.	
Random cross-section	14.700018	2	0.0006	

Table 10 Model Specification Test

Method	Testing	Mark	Selected Method Results
Chow Test	CEM vs FEM	0.0001< 0.05	<i>Fixed Effect Model</i>
Hausman test	FEM vs REM	0.0006 < 0.05	<i>Fixed Effect Model</i>

Classical Assumption Test

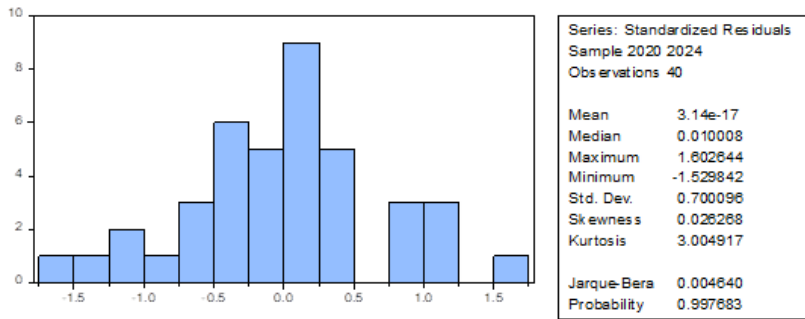


Figure 1 Normality Test
Table 11 Multicollinearity Test

	X1	X2
X1	1,000,000	0.000297
X2	0.000297	1,000,000

Table 12 Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.332150	2.270254	1.908223	0.0695
X1	15.05260	18.13314	0.830116	0.4154
X2	-3.152025	2.960313	-1.064761	0.2985

Table 13 Autocorrelation Test

R-squared	0.635886	Mean dependent variable	0.154741
Adjusted R-squared	0.520031	SD dependent var	4.134543
SE of regression	2.864402	Akaike info criterion	5.165775
Sum squared residual	180.5056	Schwarz criterion	5.539427
Log likelihood	-69.48662	Hannan-Quinn criter.	5.285309
F-statistic	5.488659	Durbin-Watson stat	2.139890
Prob(F-statistic)	0.000944		

Multiple Linear Regression Test

Table 14 Multiple Linear Regression Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.185931	4.438692	-0.041889	0.9670
X1	-134.0369	35.45306	-3.780687	0.0010
X2	1.366095	5.787864	0.236027	0.8156
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.635886	Mean dependent variable		0.154741
Adjusted R-squared	0.520031	SD dependent var		4.134543
SE of regression	2.864402	Akaike info criterion		5.165775
Sum squared residual	180.5056	Schwarz criterion		5.539427

Log likelihood	-69.48662	Hannan-Quinn criter.	5.285309
F-statistic	5.488659	Durbin-Watson stat	2.139890
Prob(F-statistic)	0.000944		

Hypothesis Testing

Table 15 T-Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.185931	4.438692	-0.041889	0.9670
X1	-134.0369	35.45306	-3.780687	0.0010
X2	1.366095	5.787864	0.236027	0.8156

Table 16F test

Cross-section fixed (dummy variables)			
R-squared	0.635886	Mean dependent variable	0.154741
Adjusted R-squared	0.520031	SD dependent var	4.134543
SE of regression	2.864402	Akaike info criterion	5.165775
Sum squared residual	180.5056	Schwarz criterion	5.539427
Log likelihood	-69.48662	Hannan-Quinn criter.	5.285309
F-statistic	5.488659	Durbin-Watson stat	2.139890
Prob(F-statistic)	0.000944		

Coefficient of Determination Test (R2)

Table 17 Test of the Coefficient of Determination (R2)

Cross-section fixed (dummy variables)			

R-squared	0.635886	Mean dependent variable	0.154741
Adjusted R-squared	0.520031	SD dependent var	4.134543
SE of regression	2.864402	Akaike info criterion	5.165775
Sum squared residual	180.5056	Schwarz criterion	5.539427
Log likelihood	-69.48662	Hannan-Quinn criter.	5.285309
F-statistic	5.488659	Durbin-Watson stat	2.139890
Prob(F-statistic)	0.000944		

DISCUSSION

1. The Effect of Capital Expenditure on Firm Value (PBV) in Pharmaceutical Subsector Companies Listed on the IDX for the 2020-2024 Period

Based on the results of the (partial) t-test, the capital expenditure (CapEx) variable showed a significance value lower than the 0.05 level. These results indicate that capital expenditure partially influences firm value (PBV) in pharmaceutical subsector companies listed on the IDX for the 2020–2024 period. Therefore, the hypothesis that capital expenditure influences firm value is accepted.

These findings suggest that a company's decision to allocate funds for long-term investments can influence investor assessments of the company. Capital expenditure generally reflects a company's efforts to increase production capacity, expand operations, or improve business efficiency in the future. When a company manages capital expenditures appropriately, the market will perceive this as a positive signal, boosting investor confidence in the company's prospects.

In theory, increased investment through capital expenditure can indicate a company has a sound long-term growth plan. This can encourage increased investor interest in the company's shares, thereby increasing the company's value, as measured by Price to Book Value (PBV). Conversely, if capital expenditures are not managed effectively, the funds spent can actually reduce the company's efficiency and affect market perception of the company's value.

Results This research, supported by research by Mispiyanti (2020) and Islamiyah & Fidiana (2023), states that the Capital Expenditure variable has a positive effect on Company Value, demonstrating that a company's investment policy is one factor that can influence company value. Therefore, company management needs to carefully consider every capital expenditure decision so that investments can provide economic benefits and increase the company's value in the eyes of shareholders.



2. The Effect of Institutional Ownership on Firm Value (PBV) in Pharmaceutical Subsector Companies Listed on the IDX for the 2020-2024 Period

Based on the results of the (partial) t-test, the institutional ownership (KI) variable showed a significance value greater than the 0.05 level. These results indicate that institutional ownership has no partial effect on firm value (PBV) in pharmaceutical subsector companies listed on the IDX for the 2020–2024 period. Therefore, the research hypothesis stating that institutional ownership influences firm value cannot be accepted.

Results This research indicates that the proportion of institutional share ownership has not significantly impacted company value. This may be because institutional investors are not always actively involved in management decision-making, so their presence does not necessarily influence market valuations of the company. In some companies, investor decisions are more influenced by the company's fundamentals than by the composition of share ownership.

From an agency theory perspective, institutional ownership is expected to act as a management oversight mechanism to protect shareholder interests. However, this study found that institutional oversight has not demonstrated a significant impact on increasing company value. This suggests that the presence of institutional investors has not yet become a primary factor considered by the market when assessing pharmaceutical companies.

This finding is supported by research by Alibasyah AF (2024) and Rahman, FA, & Ridwan, M. (2024) which shows that Institutional Ownership has no effect on Company Value, showing that company value is not always determined by the institutional ownership structure, but can be influenced by other factors such as profitability, investment policies, and market conditions. Therefore, companies need not only pay attention to the proportion of institutional ownership, but also must improve the company's overall performance in order to increase Price to Book Value (PBV) in the eyes of investors.

3. The Effect of Capital Expenditure and Institutional Ownership on Firm Value (PBV) in Pharmaceutical Subsector Companies Listed on the IDX for the 2020-2024 Period

Based on the results of the tests conducted in this study, the simultaneous test value indicates that the variables of capital expenditure (CapEx) and institutional ownership (KI) together have an influence on firm value (PBV) in pharmaceutical companies listed on the Indonesia Stock Exchange for the period 2020–2024. This can be seen from the F-statistic probability value which is smaller than the 0.05 significance level, so that the research model is declared suitable for use in explaining the relationship between the variables studied.

Results This study demonstrates that changes in a company's capital expenditures and the extent of institutional share ownership can influence both the increase and decrease in a company's value. Capital expenditures by a company reflect long-term investments aimed at supporting business growth, while institutional ownership can play a role in increasing management oversight, thus aligning company decisions more closely with shareholder welfare.

From an agency theory perspective, the relationship between company owners and management can give rise to conflicting interests. The presence of institutional investors in the ownership structure can help mitigate this conflict by providing closer oversight of management policies. Furthermore, a company's decision to allocate funds for investment through CapEx also signals the market about the company's future prospects. If these two factors are managed well, investor confidence can increase, leading to increased company value.

Results Research also supported by Aisyah S., et al. (2024) and Putri AA, et al. (2023), which showed that Capital Expenditure and Institutional Ownership influence Company Value. This finding indicates that company value is influenced not only by internal financial conditions but also by investment decisions and the company's ownership structure. Therefore, pharmaceutical companies need to pay attention to investment policies and share ownership composition to maintain and increase company value in the eyes of investors.

CONCLUSION

Based on the research results, it can be concluded that Capital Expenditure has a negative and significant effect on company value as proxied by Price to Book Value (PBV) in pharmaceutical subsector companies listed on the Indonesia Stock Exchange for the period 2020 to 2024. This finding indicates that an increase in capital expenditure is not necessarily perceived positively by investors, especially if the investment made has not been able to generate comparable economic benefits in the short term. Meanwhile, Institutional Ownership does not have a significant effect on company value, indicating that the large proportion of institutional ownership is not yet a major factor in determining market valuation of pharmaceutical companies. Simultaneously, Capital Expenditure and Institutional Ownership have a significant effect on company value with an Adjusted R-squared value of 52%, so that both variables together are able to explain some of the variation in company value, while the rest is influenced by other factors outside the research model.

This study is limited by its relatively limited sample size, consisting of eight companies with 40 observations from 2020 to 2024. It also uses only Capital Expenditure and Institutional Ownership as independent variables. The use of secondary data also



makes the study dependent on the completeness and consistency of information available in company reports. Future research is recommended to expand the observation period and sample size, and include other variables such as profitability, leverage, company size, dividend policy, or capital structure to provide a more comprehensive explanation of the factors influencing company value. Practically, the study's findings provide implications for pharmaceutical company management to be more selective in determining investments and evaluating the effectiveness of Capital Expenditure to ensure that capital expenditures actually result in improved performance and company value. For investors, the study's findings can be used as a consideration, not only to assess the size of investment or institutional ownership, but also to assess the effectiveness of investment use and the company's fundamental condition before making investment decisions.

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