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*by* Putu Ngurah Suyatna Yasa

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# Financial Performance as Intervening Variable Affect of Intellectual Capital and Capital Structure on Firm Value in the Banking Sector

**Kadek Novia Suastyani[1], Putu Ngurah Suyatna Yasa[2], Ida Ayu Putu Surasmi[3]**

[1,2,3]Warmadewa University Master of Management Study Program

**ABSTRACT:** Study purpose decide the affect intellectual capital and capital structur on value company, mediated by financial performance. This studies was conduct at banking firm on the Indonesia Stock Exchange in 2018-2021, where there were 46 company populations. Sampels taken use non-probability method sampling with purposive sampling tecnic, with criterias: 1) Banking firms publish consecutive financial reports, 2) Banking firms do not experience losses or negative profit during a certain period. There were 26 sample companies with 106 total observation companies. The technique analysis data use in this studies the path analysis method. Result of this study indicate intellectual capital, capital structure significant and positive impact on value firm, intellectual capital and capital structure has a positive and significant impact on financial performance, financial has significant and positive impact on value company, financial performance is could to mediate intellectual capital on value company, financial performance is could to mediate capital structure on banking company value on the Indonesia Stock Exchange in 2018-2021.

**KEYWORDS:** Company Value; financial performance; Intellectual Capital; Capital Structure

## INTRODUCTION

The company value formed through the market stock value indicator is strong influen by investment opportuniti. The existen investment opportunities can have impact positive on growth firm (Hidayat, et al., 2021). Prospective investor will investmen in firm usually look at existing data on financial perform of a company so that the value firm can well reflected and will have impact on stock market price firm (Tampubolon and Banjarnahor, 2020). If the financial perform of a company shows good prospects, then these shares will be in demand by investors and affect the selling price of these shares. However, in the banking industry throughout 2021, some of the share prices have actually declined, according to the financial.bisnis.com website, based on data compiled by the Bisnis Indonesia Resources Center (BIRC), there are several bank issuers whose share prices have declined throughout 2021. Regarding the phenomenon of the decline in banking company stock prices, it can be ascertained that company value is a very important aspect to keep in good condition. When the company's value is high, it is considered capable of bringing profits to its shareholders, but conversely, if the company's value drops or even drops to a low point, it will be detrimental to its shareholder (Sari, et al., 2021). Good companies general have ratio PBV upstairs one. Higher the PBV describe high stock price compare to book value per share (Lindawati & Yulianto, 2021). Following are the 2018-2021 PBVs of banking companies that have experienced a decrease in their share prices as of December 2021.

The value of banking sector companies from the calculation of the ratio it is known that from 2018-2021 banking companies have experienced a decrease and increase in company value, and there are still firm have a PBV below 1, which mean that firms perform is not optimal. Value of firm itself can influenced by several factors, one of which by managing assets that are owned properly, both tangible and intangibel assets. Intangible asets are developed by the company in the form of intellectual capital.

Stakeholder theory explains intellectual capital through the perception of two fields, namely the field of ethics and the managerial field. In the field of ethics, managers must be able to manage the organization for the benefit of stakeholders (Deegan in Ulum, 2016: 36). Researchers such as Santiani (2018), Fitriasari & Ratnasari (2019), Halim (2020), Puspitasari (2020), Meliani & Ariyanto (2021) found positif significant effect intellectual capital has on company value. However, the results of research by Septiana (2018) and Lindawati & Yulianto (2021), Sari, et al. (2021), Qurrotulaini & Anwar (2021) found has no effect intelectual capital on value firm.

In addition, the value of the company can also be influence by other factors. Trade off theory discuss the relations capital structur and value company. Trade off theory in capital structure essence is and benefits arising out of from use debt. balance

sacrifices Theory Capital structure suggests the firm funding policy determines combination of equity and debt which aims to maximize value company (Kristianti, 2018).

Research on capital structure on value firms was conduct by Hirdinis M (2019), and Huda et al., (2020), Sari et al., (2021), found capital structure has positive affect on firm value. While these results are inversely proportional to the findings by Sagala et al., (2019), Meliani and Ariyanto (2021), found capital structur no significant affect on value company.

Inconsistency result of previous research, believed that explain the effec of intellectual capital and capital structur on value firm, there are other influencing variables. To mediate the inconsistency of the previous research and to develop previous research so that the results are more accurate, an intervening variabel, namely financial performance, is used. In study, financial perform is calculated using ratio return on assets (ROA).

## CONCEPT AND HYPOTHESIS

Stakeholder theory states that managers must carry out various important activities that are useful for the interests of stakeholders and must report back on these activities to stakeholders as a form of accountability (Meliani & Ariyanto, 2021). Important activity carried out by firm can determine value firms, which reflect in shares price. When financial perform of a company shows good prospects, share will in demand by investor and will efect the selling price of these shares and will crease the value firm.

Relationship capital structure and intelectual capital on company value will occur when management as human capital is able to maximize the management of its assets, name intellectual capital so as to create added value will become competitive advantage, and company is able manage capital expenditures for firms sustainability and growth. Company that able properly develop and manage their resource can become a competitive advantage for organizations (Assauri 2016:48). Research hypothesis is:

1) H1: Intellectual Capital impact significant and positive on value company.
2) H2: Capital structure impact significant and positive on value company.
3) H3: Intellectual capital significant and positive impact on financial performance
4) H4: Capital structure positive significant impact on financial performance
5) H5: Financial performance positive significant impact on company value.
6) H6: Intellectual Capital positive and significant affect on value of firms through financial perform.
7) H7: Capital structure positive and significant affect on value of firm through financial perform.

## METHOD

This design use a quantitativ research design. This research was conducted at the IDX with secondary data for 2018-2021. The population amount to 46 banking companie. The companie studied were determined by purposiv sampling methode, the sampel was 104 firm. Analysis data used multipel linear regresion analysis and path analysis methods. This studi analyzes four variables, namely:

1. Intelectual capital (X1) and capital structure (X2) as independen variables.
2. Firm value (Y2) as dependen variabel.
3. Financial performance (Y1) as intervening variables.

## RESULT AND DISCUSSION
### Table 1. Descriptive Statistical Test Results

| | N | Range | Minimum | Maximum | Means | std. Deviation | Variances |
|---|---|---|---|---|---|---|---|
| PBV | 104 | 8.6938 | .3820 | 9.0759 | 1.652824 | 1.4147813 | 2002 |
| ROA | 104 | .0906 | .0004 | .0910 | .014045 | .0150634 | .000 |
| DAR | 104 | .7818 | .1371 | .9189 | .777035 | .1714994 | .029 |
| VAIC | 104 | 48.8635 | -23.7880 | 25.0754 | 1.770532 | 5.6379761 | 31,787 |
| Valid N (listwise) | 104 | | | | | | |

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The data in Table 1 shows that the intellectual capital variable as measured by the VAIC ratio has an average value of 1.77 indicating a positive value, meaning that the average tendency of banking companies to have good intellectual capital. This provides information that the companybanking listed on the Indonesia Stock Exchangehas the lowest intellectual capital of -23,788 which occurred inPT West Java Regional Development Bank (BJBR) in 2019, andhaving the highest intellectual capital of 25,075 occurred inPT Bank Ina Perdana Tbk (BINA) in 2018. Furthermore, the capital structure variable as measured by the DAR ratio has an average value of 0.77 indicating a positive value, meaning that the average tendency of banking companies to have a good capital structure. This provides information that the companybanking listed on the Indonesia Stock Exchangehas the lowest capital structure of 0.1371 which occurred inPT Bank BTPN Syariah Tbk (BTPS) in 2021, andhas the highest Capital structure of 0.9189 which occurred inPT Bank Capital Indonesia Tbk (BACA) in 2019.

The financial perform variable as measure by the ROA ratio has an average value of 0.014 indicating a positive value, meaning that the average tendency of banking companies to have positive financial performance. This provides information that the companybanking the lowest financial performance of 0.0004 which occurred inPT Bank Mayapada Tbk (MAYA) in 2021, andhas the highest financial performance of 0.091 occurred inPT Bank BTPN Syariah Tbk (BTPS) in 2019. The firm value variable as measured by the PBV ratio has an average value of 1.65 indicating a positive value, meaning that the average tendency of banking companies to have a good corporate value. This provides information that the companybanking the lowest firm value of 0.382 which occurred inPT Bank Pan Indonesia Tbk (PNBN) in 2021, andhas the highest company value of 8.69 occurred inPT Bank Ina Perdana Tbk (BINA) in 2021.

**Table 2. Model 1 Normality Test Result**

| | | Unstandardized Residuals |
|---|---|---|
| N | | 104 |
| Normal Parameters, b | Means | .0000000 |
| | std. Deviation | 1.10579578 |
| Most Extreme Differences | absolute | .151 |
| | Positive | 093 |
| | Negative | -.151 |
| Test Statistics | | .151 |
| asymp. Sig. (2-tailed) | | .052c |

Kolmogorov Sminarnov (KS) statistical test in model 1 is 0.151, with an Asyp values. Sig. (2-tailed) of 0.052. Asym. Sig. (2-tailed) is higher than value of alpha 0.05 result the regresion equation model normally distribute.

**Table 3. Model 2 Normality Test Results**

| | | Unstandardized Residuals |
|---|---|---|
| N | | 104 |
| Normal Parameters, b | Means | .0000000 |
| | std. Deviation | .61239977 |
| Most Extreme Differences | absolute | 086 |
| | Positive | 086 |
| | Negative | -.049 |
| Test Statistics | | 086 |
| asymp. Sig. (2-tailed) | | .058c |

Kolmogorov Sminarnov (KS) statistical test in model 2 is 0.086, with an Asym Sig. (2-tailed) of 0.058. Asym. Sig. (2-tailed) is higher than value of alpha 0.05, result indicate that the regresion equation model 2 is normally distribute.

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**Table 4. Path Analysis Test Results (Model 1)**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | std. Error | Betas | | |
| 1 | (Constant) | -4,868 | 0.147 | | -33,097 | 0.000 |
| | DAR | 0.740 | 0.287 | 0.243 | 2,581 | 0.011 |
| | VAIC | 0.071 | 0.031 | 0.212 | 2,256 | 0.026 |

As presented in Tabel, the structural models equation can made follows:

Y1 = 0.243 X1 + 0.212 X2

The regresion coefficient value of capital structure variabel is positive with a significance of less than 0.05, which means that capital structure positive affect onfinancial performance (ROA). Furthermore, the intellectual capital variable is positive with a significance of less than 0.05, this means that intelectual capital positive and significant effect on the financial performance variable (ROA) (Chowdhury et al., 2018; Factor, 2018; Farimani & Yazdi, 2015).

**Table 5. Path Analysis Test Result (Model 2)**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | std. Error | Betas | | |
| 1 | (Constant) | 0.928 | 0.282 | | 3,293 | 0.001 |
| | DAR | 0.342 | 0.165 | 0.193 | 2077 | 0.040 |
| | VAIC | 0.036 | 0.018 | 0.186 | 2021 | 0.046 |
| | ROA | 0.157 | 0.055 | 0.269 | 2,840 | 0.005 |

As presented in Table, then the structural equation can be made as follows:

Y2 = 0.193 X1+ 0.186 X2 + 0.269 Y1

Markthe regression coefficient of all variables is positive. This shows that variables intellectual capital, capital structure and financial performance have positive significant relationship to the variables firm value (Y) (Atmadja & Saputra, 2018; Saputra & Kawisana, 2021; Sara et al., 2021).

The results of the mediation test with the VAF method in this study have fulfilled the first few requirements, the direct effect was found to be significant (a) when the financial performance variable (Y1) had not been included in the model. Second, after the financial performance variable (Y1) entered into the model, the indirect effect (bxc) is also found to be significant (Saputra, Jayawarsa, et al., 2019; Saputra et al., 2021). Paths namely b and c are also significant. Third, calculate the Variance Accounted For (VAF) with the formula:

VAF= (bxc)/(a + bxc)

VAF= (0.212 x 0.269)/(0.186 +0.212 x 0.269)

= 0.057028/0.243028

= 0.234 or 23.4 percent.

Because the VAF value (23.4 percent) is between 20 percent and 80 percent, it can be categorized a partial mediation. Thus, the which states financial perform mediate effect Intellectual Capital on value company is accepted. For more detail, it can be seen in Figure 3 below.

**Financial Performance as Intervening Variable Affect of Intellectual Capital and Capital Structure on Firm Value in the Banking Sector**
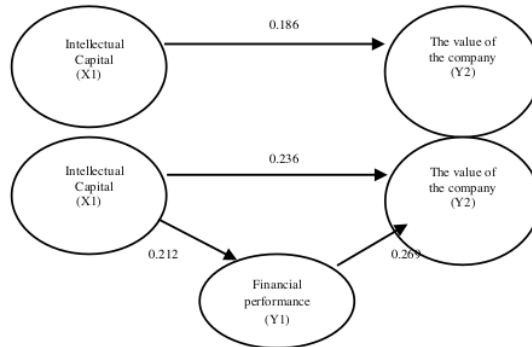


**Figure 1. Mediation Testing**

The result of the mediation tests with the VAF method in this study fulfilled several requirements. First, the direct effect was found to be significant (a) when the financial performance variable (Y1) had not been included in the model. Second, after the financial performance variable (Y1) is entered into the model, the indirect effect (bxc) is also found to be significant. Paths namely b and c are also significant (Saputra, Pradnyanitasari, et al., 2019; Saputra, Sara, et al., 2019). Third, calculate the Variance Accounted For (VAF) with the formula:

VAF = (bxc)/(a + bxc)

VAF = (0.243 x 0.269)/(0.193 + 0.243 x 0.269)

= 0.065367/0.258367

= 0.256or 25.6 percent.

Because the VAF value (25.6 percent) is between 20 percent and 80 percent, it can be categorized as a partial mediation. Thus, the hypothesis which states that financial performance mediates the effect of capital structure on firm value is accepted. For more detail, it can be seen in Figure 2 below.
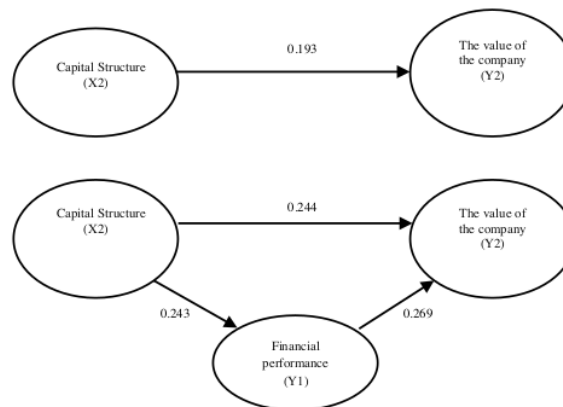


**Figure 2. Mediation Testing**

**CONCLUSION**

Intellectual capital influentialpositive and significant to value of banking companies. Good management of intellectual capital will create value added which will create advantage impact on the firm company. Capital structure effect significant and positive on the value of banking companies. Optimal capital structure management can generate greater company profits. Intellectual capital influentialpositive and significant impact on financial performance banking companies. Companies that have qualified intellectual capital, namely human capital expertise, will generate innovation and development in optimal management of firms financial. Capital structure influentialpositive and significant impact on financial performance banking companies. Capital structure that is managed optimally and effectively is able to create strong and stable financial conditions so that financial

performance will also increase. Financial performanceinfluentialpositive and significant to value banking companies. Companies that have a level of success in manage their assets and capital into optimal finnancial performance will aeffect the value firm for better.

Intellectual Capitalhas positive significant affect on company value through the financial perform of banking firm. Financial perform mediates intellectual capital on company value. Companies with adequate intellectual capital will be able to optimize performance, one of which is performance financial which impact increasing profits company. Capital structurehas positive significant effect company value through the financial performance of banking firm. Performance financial mediates capital structure on firmvalue. Increasing value of firm by increasing debt at certain point is permitted, so that the company is more productive by optimizing the benefits of debt or in other words the tax reduction has a greater impact than the interest generated by the debt itself so that it can generate maximum profit, so that it will get a positive response that will create increase in company value.

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