



The Influence Of Intellectual Capital And Leverage On Financial Performance In Banking Companies Listed On The Indonesian Stock Exchange

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ABSTRACT

This study aims to analyze the influence of intellectual capital, institutional ownership and leverage on financial performance in banking companies listed on the Indonesia Stock Exchange. The Financial Performance of Banking Companies is measured using Return on Equity (ROE) as the main indicator. The data used in this study are secondary data obtained from the annual reports of banking companies listed on the IDX during the 2019-2022 period through the website www.idx.co.id. The analysis method used in this study is multiple linear regression. The results of the study simultaneously show a significant, which means that intellectual capital, institutional ownership and leverage simultaneously affect the financial performance of banking companies listed on the Indonesian Stock Exchange. The results of the study partially show a significant, which means that intellectual capital and institutional ownership have a positive and significant effect on the financial performance of banking companies, while leverage has a negative and significant effect on the financial performance of banking companies listed on the Indonesian Stock Exchange. It is expected that further research can use other independent variables, such as liquidity and company size with different observation periods.

1. INTRODUCTION

Like every economy, the Indonesian economy has experienced periods of growth and periods of decline. In today's world of globalization and free markets, intense competition has led to these difficulties. As evidence, consider the banking sector in Indonesia during the 1997-1998 economic crisis; many institutions went bankrupt due to their inability to weather the storm. The imbalance in the intermediation function occurred as a result of the impact of the crisis on banking performance. While banks were successful in collecting taxes, they were unable to increase lending to the general public. This undermines the long-term viability of banking capital and makes banks untrustworthy in terms of profitability. This bank went bankrupt as a result of the increasing losses it suffered. To ascertain whether a company's financial performance has grown or shrunk, the phrase "company performance" describes the company's financial condition as examined using financial analysis methods. All operational actions of a business, from collecting and disbursing funds to other metrics, contribute to its financial performance. A bank's financial performance is an important factor to consider when assessing its overall success. It starts by reviewing many aspects, including assets, debt, liquidity, and more. A bank's financial statements show its overall financial health and can be used to assess how well the bank is performing financially. By using this data to calculate financial ratios, one can evaluate the state of the bank. Executives can track the bank's performance in carrying out its functional activities thanks to the results of monetary proportion estimation. Investors, the public and others can use the results of financial ratio calculations to assess bank performance (Iswanto, 2017).

Good Institutional Ownership and a number of other factors undoubtedly strengthen financial performance management in banks. For companies to survive in today's business world, where competition is fierce and technological advancement is occurring at a dizzying rate, companies need to

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improve their financial performance by rethinking their operational strategies. Thus, in this era of globalization, companies must prioritize not only labor-based financial and physical capital, but also knowledge-based intellectual capital, a characteristic of knowledge-based businesses (Kuryanto and Syafruddin 2018). Because this intellectual capital is unique, not every business will be able to imitate it. Therefore, intellectual capital is an important tool for businesses to increase their efficiency. However, businesses in Indonesia still rarely use intellectual capital management strategies.

Revision of Proclamation No. 19 (re-examined in 2000) concerning Financial Accounting Guidelines (PSAK) regarding theoretical resources marked the beginning of the development of intellectual capital in Indonesia. According to PSAK No. 19, intangible assets are defined as identifiable non-monetary resources that do not have a physical form and are held for the purpose of producing or delivering products or services, renting them to others, or using them for administrative tasks. Achieving competitive advantage is highly dependent on the function of academic capital as a generator of organizational value (reward income). However, in creating value, it is immaterial knowledge that truly matters.

According to Sawarjuwono and Kadir in Sudibya and Restuti (2018), traditional accounting, which is the basis for making financial reports, is still deemed to have failed in conveying information about intellectual capital. As also stated by Harahap in Subkhan and Citraningrum (2018), information regarding the Intellectual Capital owned by the company cannot be provided by financial reports. Then the indirect measurement of intellectual capital uses the Value Added Intellectual Coefficient (VAIC™). The purpose of (VAIC™) is a measurement method to assess the efficiency of value added as a result of the company's intellectual capabilities (Sudibya and Restuti, 2018).

Subkhan and Citraningrum argue that there are basically three forms of intellectual capital: human capital, organizational capital, and relational capital, which is often known as customer capital (2018). The human resources of a company are its most valuable assets because of the value of its knowledge and representative abilities, which give it the power to generate profits. To increase organizational efficiency, basic capital is what keeps human resources in the company's daily operations. Trademarks and patents, for example, as well as the company's operating systems, commercial strategies, and business plans. Customers are the lifeblood of every business, whether they are loyal suppliers, enthusiastic buyers, or even local governments and communities.

There is a difference between leverage ratios and liquidity ratios, both of which measure a company's ability to pay its bills. Leverage evaluates a company's ability to pay its long-term debt, while liquidity measures its ability to pay its short-term or current obligations, including trade debt. This leverage shows the company's overall debt to equity ratio. Therefore, this ratio reveals how much company assets are held by investors compared to those held by lenders (banks). Companies are expected to be underutilized if investors have more money. However, the company is considered to have a high level of power if most of the resources are held by tenants (money borrowers). Investors and management can gain valuable insight into the level of capital structure risk associated with their company by analyzing these solvency ratios, also known as leverage ratios. Kasmir emphasized (2017:150) that there are basically two ways to estimate this proportion: first, by looking at the extent to which credit is used for capital, and second, by using profit and loss techniques. This method estimates the proportion of accounting reports.

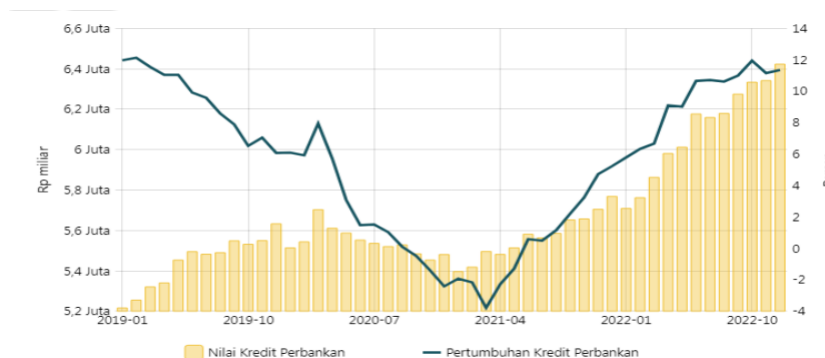


Figure 1. Banking Credit Growth Indicators

Source: SPI December, 2019-2022 (ojk.go.id)

The current phenomenon is that in December 2022, banking credit distribution grew 11.35% compared to the previous period. Thus, if calculated from OJK data for December 2021, the value of

banking credit at the end of 2022 will have reached around IDR 6.42 quadrillion. This growth was triggered by working capital credit which was able to grow 12.17% and corporate credit growth of 15.44%. This figure shows that in December 2022 banking credit has recovered from the impact of the pandemic, because growth has already reached pre-pandemic levels as seen in the graph.

In line with research by Ricky Rizky Ramadhan (2017), this study found that the ratio of leverage to total capital, corporate governance and intellectual capital all have an influence on financial performance. This is in line with research by Yuslirizal (2017) which shows that increasing institutional ownership will produce better financial results for businesses. This is contrary to the findings of Awulle et al. (2018) and Amaliyah and Herwiyanti (2019) who found that institutional ownership of intellectual capital had a negative and significant impact on financial performance. Previous research had unclear findings, thus attracting researchers' interest and encouraging the conduct of this research entitled "The Influence of Intellectual Capital and Leverage on Financial Performance in Banking Companies Listed on the Indonesian Stock Exchange".

B. Literature Review and Research Hypothesis

Grand Theory

Resource Based Theory, which Penrose developed in 1959, states that businesses are nothing more than warehouses for various resources. Because organizational assets are diverse and non-uniform, the accessible beneficial services each organization receives are a unique reflection of its assets. Businesses can achieve competitive success and positive financial results by owning, controlling and utilizing substantial strategic assets (both physical and intangible), as explained by Randa and Solon (2017:12). The asset-based view of the company (RBV) is a theory put forward by Wijayanti (2018:10) to study the benefits of an information-based (or "learning") economy or an economy that relies on intangible resources. The fundamental goal of a knowledge-based economy is to generate added value. To create this value, it is necessary to take appropriate steps regarding financial resources, which represent physical capital, and intellectual capacities, which represent workers with all their skills and potential.

Intellectual Capital

Ulum (2019: 81) argues that intellectual capital is an intangible asset that contributes to a company's competitive advantage and is therefore difficult to separate from financial reports. The three main components of an organization's intellectual capital, namely human capital, structural capital and customer capital, are knowledge and technology that can give companies an advantage in the market, according to Sawarjuono (Restuti, 2018:120). The performance of a company's intellectual capital can be measured with the help of VAIC. VAIC, short for Value Creation Productivity Evaluation, is a metric that can be used to calculate value efficiency. This comes from a company that combines the advantages of CEE, HCE, and SCE (Construction Capital Productivity). Worth Added Scholarly Coefficient, or VAIC A percentage that provides an estimate of an organization's academic capacity, VAIC is an indicator of that ability. Formula : $VAIC = VACA$ (Value Added Capital Employed) + $VAHU$ (Value Added Human Capital) + $STVA$ (Structural Capital Value Added).

Leverage

Leverage is defined as "a ratio that measures how much a company is financed with debt," as stated by Irham Fahmi (2015: 106). When a company takes on too much debt, it risks being classified as extremely leveraged, meaning it is unable to escape its large debt burden. The debt to equity ratio shows the extent to which the company relies on debt (Kasmir, 2017: 155). The company's leverage can be seen by looking at this ratio. Businesses that have a high debt to equity ratio are more likely to fail financially if they cannot meet their debt payments on time. They will also have greater difficulty attracting potential lenders. You can use the liability-to-value ratio to reduce the available payments associated with a loan and increase investors' income from their operations. According to (Shella et al., 2017:12) mathematically the calculation of Debt to Equity Ratio (DER) is: $DER = (\text{Total Debt}) / \text{Equity} \times 100$

Financial Performance

Munawir (2018:30) states that financial ratio analysis is one way to assess the financial health of a company, with financial performance as one of the main determinants. Meanwhile, financial performance is defined by Rudianto (2018: 189) as the results or achievements that have been achieved by company management over a certain period of time in fulfilling their responsibility to manage company assets well. Therefore, management can carry out its responsibilities through several assessment techniques, one of which is financial performance. This analysis uses Return on Equity (ROE) as a performance metric. Investors must understand return on equity (ROE) well because it is a benchmark for determining whether or not a company is worth maintaining. This shows that the company's growth and capabilities can be seen from the results of the return on equity formula calculation. Return on equity is defined as the ratio of net

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 profit after tax to equity, as stated by Kasmir (2014: 204). This ROE is the net ratio to company equity. One of the functions of return on equity is to find out equity and net profit.
 $ROE = (\text{Net Profit})/(\text{Total Capital}) \times 100\%$

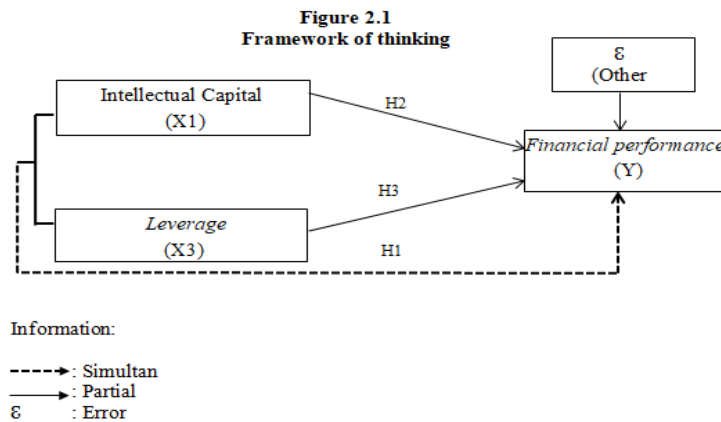


Figure.2 Framework Of Thinking

Hypothesis

1. it is suspected that there is an influence of intellectual capital and leverage on financial performance. *it is suspected that there is an influence of intellectual capital on financial performance.*
2. it is suspected that there is an influence of leverage on financial performance.

2. METHODS

The data used in this research is secondary data obtained from the annual reports of banking companies listed on the IDX during the 2019-2022 period via the website www.idx.co.id. The population in this study was 46 banking companies using a purposive sampling technique to obtain a sample of 10 companies. The analytical method used in this research is multiple linear regression

3. RESULTS AND DISCUSSION

Normality Test

The following are the results of the normality test in this study:

Table 1 Normality Test

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		40
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	7.70213524
Most Extreme Differences	Absolute	.124
	Positive	.124
	Negative	-.102
Test Statistic		.124
Asymp. Sig. (2-tailed)		.125 ^c

a. Test distribution is Normal.
 b. Calculated from data.
 c. Lilliefors Significance Correction.

In table 1, we can see that the variables Intellectual Capital and Leverage on Financial Performance have a value of Asymp. Sig (2-tailed) is 0.125. Because the significance value is greater than 0.05 (5%), or 0.125 in this case, the Kolmogorov-Smirnov test concludes that the Unstandardized Residual data follows a normal distribution. So, by continuing the classical assumption test, it can be said that the observed data values follow a normal distribution.

Multicollinearity Test

The following are the results of the normality tes multicollinearity test t in this study:

Table 2. Multicollinearity Test

Coefficients ^a		Collinearity Statistics	
Model		Tolerance	VIF
1	(Constant)		
	Intellectual Capital	.931	1,074
	Leverage	.956	1,046

a. Dependent Variable: ROE

Source : data processed, 2024

Based on table 2, the VIF value ranges from 1 to 10, with a value of 1.074 for Intellectual Capital and 1.046 for Leverage. Tolerance values below 0.10 are seen for Intellectual Capital (0.931) and Leverage (0.956). Based on the VIF value and tolerance figure, the regression model for the three independent variables did not show multicollinearity.

Heteroskedasticity Test

The following are the results of the heteroscedasticity test in this study:
Picture 3 Heteroskedasticity Test

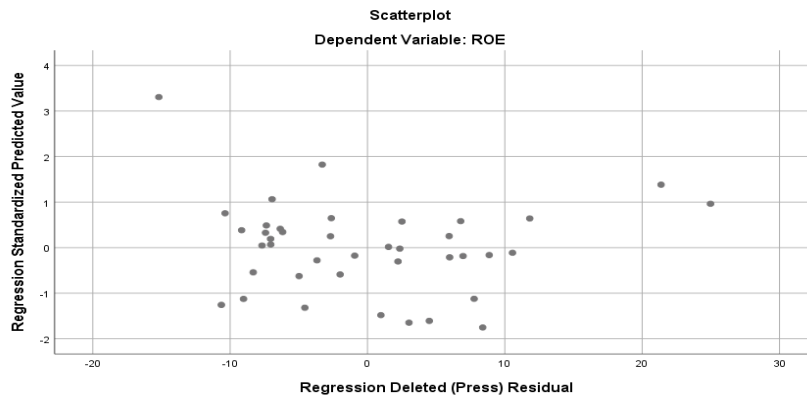


Figure.2. Heteroskedasticity Test

The scatter diagram in Figure 3 shows that the points are randomly distributed above and below the Y-axis value of 0, which indicates that the regression model has successfully passed the two fundamental decision-making stages mentioned previously. The absence of heteroscedasticity in the regression model indicates that the residuals from one observation have the same fundamental variance as the residuals from other observations. Alternatively, we can say that this model has homoscedasticity, which is appropriate for our investigation.

Autocorrelation Test

The following are the results of the autocorrelation test in this study:

Table 3 Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.368a	.295	.278	8.016682	1,742

a. Predictors: (Constant), Leverage, Intellectual Capital

b. Dependent Variable: ROE

Source : data processed, 2024

The DW value is 1.742, as can be seen in the table above. The dU and dL values that can be found in the Durbin-Watson table are 1.6708 and 1.4064 respectively. Here, k is the number of independent variables and n is the quantity of data. The absence of positive autocorrelation is indicated by the fact that $DW > dL$, namely $1.742 > 1.4064$.

Results of Multiple Linear Regression Analysis

The following are the results of multiple linear regression analysis in this research:

Table 4 Results of Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
1 (Constant)	10,886	4.004	
Intellectual Capital	.101	.034	.033
Leverage	-.120	.071	.056

a. Dependent Variable: ROE

Source: Processed by Researchers, 2024

The following are the coefficients resulting from the regression equation according to the results of the regression analysis, as shown in table 4 above:

$$Y = 10.886 + 0.101 X_1 - 0.120 X_2 + e$$

F Test

Table 5 below displays the F test results:

Table 5 F Test

Model	ANOVA					
		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10,852	3	3.617	11,056	.000b
	Residual	2313.619	36	64.267		
	Total	2324.471	39			

a. Dependent Variable: ROE

b. Predictors: (Constant), Leverage, Intellectual Capital

Source: Processed by Researchers, 2024

We can see that the calculated F value (11.056) is greater than the table F value (2.81) at a significance level below 0.05, namely 0.000, according to the SPSS output data mentioned previously. Since this is the case, we can accept the research hypothesis presented previously as correct.

Partial Test (t Test)

The table below displays the results of the partial test regression analysis:

Table 6 Partial Test (t Test)

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	10,886	4.004		2.719	.010
Intellectual Capital	.101	.034	.033	2.189	.015
Leverage	-.120	.071	.056	-2.331	.013

a. Dependent Variable: ROE

Source: Processed by the Author, 2024

The significance value of 0.015 is smaller than the value of 0.05. Financial Performance (Y) is partially influenced by Intellectual Capital (X1). The significance value $t_{sig} = 0.017$ is smaller than the threshold value of 0.05. Which indicates that the influence of the variable X2 (Leverage) on Financial Performance is statistically significant. Leverage (X2) has a partial negative impact on Financial Performance (Y).

Analysis of the Coefficient of Determination (R2)

The following is a table showing the results of the coefficient of determination test:

Table 7 Coefficient of Determination Test Results (R2 Test)

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.368 ^a	.295	.278	8.016682	1,742

a. Predictors: (Constant), Leverage, Intellectual Capital

b. Dependent Variable: ROE

Source: Processed by Researchers, 2024

It is clear from the data in the table that the R2 value is 27.8% (0.278 x 100%). Intellectual Capital, and Leverage accounted for 27.8 percent of the variance in Financial Performance, according to the findings. Although other unmeasured factors accounted for 72.2% of the variance.

DISCUSSION

The Influence of Intellectual Capital, Leverage on Financial Performance (ROE)

Banking companies listed on the Indonesia Stock Exchange (BEI) from 2019 to 2022 have a positive and significant effect on profitability based on the results of simultaneous data analysis. Intellectual capital, as stated by Ulum (2019: 81), is an intangible asset that cannot be separated from financial reports and is a factor that can provide a competitive advantage for companies. Intellectual capital is an intangible asset which, if utilized properly, can increase a company's profitability and competitiveness. Intellectual capital is the main resource that drives performance and evaluation.

Investors and management can learn a lot about the capital structure risks a company faces from these solvency ratios, which are sometimes called leverage ratios. According to Kasmir (2017:150), there are basically two ways to calculate this ratio. One way is to look at the balance sheet ratio, which reflects the amount of loans used for capital. Another way is to use the profit and loss technique. According to this research, intellectual capital and leverage all play a role in a company's financial success (Subkhan and Citraningrum, 2018:10).

The Influence of Intellectual Capital on Financial Performance (ROE)

Partial test findings for the influence of intellectual capital on financial performance (roe).scientific capital has a favorable effect on monetary execution (roe). a company's intellectual capital is an intangible asset that, if used well, can increase a company's profitability and competitiveness. intellectual capital is an important resource that drives performance and evaluation. the reason is that a company's capacity to produce superior results and value is a form of intellectual capital. subkhan and citraningrum (2018:10) state that intellectual capital significantly influences and impacts a company's financial performance, which is supported by this research. furthermore, mariani and zulaika's (2024) findings contradict these findings, because they argue that intellectual capital has no impact on a company's net profit.

The Effect of Leverage on Financial Performance (ROE)

Based on the results of partial tests on the impact of leverage on return on equity (ROE), it shows that leverage has an effect on return on equity (ROE). "The ratio that measures how much a company is financed by debt" is what Fahmi (2015:106) calls leverage. When a company takes on too much debt, it puts itself at risk of excessive leverage, meaning the company will not be able to escape its large debt and will have difficulty operating profitably. Paying interest becomes more difficult when leverage or debt use is excessive. With more money going to debt payments and less to investment and development, financial performance and profitability can take a hit. Previous research has shown that leverage has a negative impact on financial performance; Therefore, our findings are in line with those of Somita et al. (2019) and L. V. A. Putu (2018). The findings of this study contradict the findings of Ramayanti et al. (2024) who found no correlation between leverage and financial success.

4. CONCLUSION

After reviewing the research analysis discussed in the previous chapter, the following is a list of the author's findings and recommendations: there is an influence of the variables intellectual capital (x1), leverage (x2) on financial performance (y) in banking companies on the idx in 2019-2022. there is an influence of the intellectual capital variable (x1) on financial performance (y) in banking companies on the

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idx in 2019-2022. there is an influence of the leverage variable (x3) on financial performance (y) in banking companies on the idx in 2019-2022.

Based on the author's findings, academics and financial institutions participating in the BEI in 2019–2022, should consider the following: In order to make the right decision regarding choosing the right investment location, investors and business actors must consider potential factors that can influence the company's financial performance. Future researchers are advised to expand the scope of the research, extend the observation period, and include additional variables other than liquidity and company size.

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