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THEORETICAL STUDY OF INTELLECTUAL CAPITAL AND FINANCIAL PERFORMANCE ON FIRM VALUE

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Abstract

The purpose of this study is to examine the theory of the relationship of Intellectual Capital, Financial Performance to Firm Value. This research theory is various theoretical sources both from books and scientific articles. The results of this study Intellectual Capital can affect the Firm Value, Financial Performance measured by Return on Assets affects the Firm Value and Intellectual capital can moderate Financial Performance against the Firm Value.

Keyword: Intellectual Capital, Financial Performance, Firm Value, Return On Asset

1.INTRODUCTION

Company value is the company's selling value because it runs (Sartono, 2010: 487). Maximizing company value also means maximizing the company's main goals. The added value of the company is an achievement that is in accordance with the wishes of the owner, because with the added value of the company, the wealth of the owner or shareholder will also increase. The high value of the company increases market confidence not only in the current increase in the company but in the future. One of the tasks given by company owners to company management is to maintain the value of the company. One way company managers can maintain the value of the company by maintaining the company's financial performance. Various ways for companies to maintain finance One of them according to Yusuf and Sawitri (Lestari, 2016) companies can change business based on labor-based business to knowledge-based business with topics that support science, so that the prosperity of the company will depend on changes and capitalization from the knowledge it self. Intellectual capital (IC) is a knowledge-based business to maintain a company that can increase company value in the eyes of investors.

Information about the company's financial performance can be used by investors to see whether investors will maintain their investment in the company or look for other alternatives. If the company's performance is good, the business value will be high. High business value makes investors glance at the company to invest their capital so that there will be an increase in stock prices. Stock prices are a function of company value. Sutrisno (2009: 53) argues that the company's financial performance is a company achievement in a certain period that reflects the level of health of the company. Measurement of financial performance is measured in the company's performance in utilizing its assets to benefit the company. According to Srimindarti (2006: 34), performance appraisal is the determination of the effectiveness of operations, organizations, and employees based on targets, standards and criteria that have been previously set periodically.

The Intellectual Capital (IC) phenomenon began to develop after the emergence of PSAK No.19 (revised 2000) concerning intangible assets, although not explicitly stated as Intellectual Capital (IC), but the Intellectual Capital (IC) received little attention from the company. Appuhami (2007) states that the greater the value of Intellectual Capital the more efficient use of corporate capital, thus creating value added for the company. Physical capital as part of Intellectual Capital becomes a resource that determines the performance of the company. Intellectual Capital is a measurable resource for increasing competitive advantages, then Intellectual Capital can contribute to company performance (Abdol Mohammadi, 2005).

According to Pulic (1998) the main goal of a knowledge-based economy is to create value added, while being able to create value added requires the right size about physical capital and intellectual potential. Pulic (1998) does not directly measure Intellectual Capital companies, but proposes a measure to assess the efficiency of value added as a result of the company's intellectual ability (value added intellectual coefficient). The main components of VAICTM can be seen from the company's resources, namely physical capital (VACA-value added capital employed), human capital (VAHU-value added human capital), and structural capital (STVA-structural capital value added). Pulic (1998) states that intellectual ability, then called VAICTM, shows the extent to which the two resources (physical capital and intellectual potential) have been efficiently utilized by the company.

Various studies have been conducted on intellectual capital, among others, conducted by Lestari (2016) which examines the effect of intellectual capital (IC) on the financial performance of Islamic banking in Indonesia, the results obtained in this study are intellectual capital (IC) affect the company's financial performance and intellectual capital (IC) in the previous period has an effect on the financial performance of the next period. Nasih (2011) examines the strategic role of Intellectual capital (IC) as a variable between the influence of financial capital on company performance, the result is financial capital (assets) indirectly influences, positively, and has a significant impact on the company's financial performance through intellectual capital and non-performance -finance. Indirect influence on the financial performance of assets through intellectual capital. Thus intellectual capital is a strategic asset that mediates the performance of superior banking companies in Indonesia. Ulum (2007) examined the effect of intellectual capital (IC) on the financial performance of banking companies in Indonesia stating that there is a positive influence of intellectual capital (IC) on the company's financial performance; intellectual capital (IC) also has a positive effect on the company's financial performance in the future; and that the average growth of intellectual capital (IC) (the rate of growth of a company 's IC - ROGIC) does not affect the company's financial performance in the future. This study states that human capital (VAHU) and Return on Assets (ROA) are the most significant indicators for intellectual capital (IC) and corporate financial performance for 3 years. While physical capital (VACA) is only significant for 2006. Ceicilia and Josepha (2011) discuss the Intellectual capital (IC) in companies of the type of service industry showing an influence on the company's financial performance. This study is to measure intellectual capital (IC) using market-to-book value. The market responds to company performance, namely profitability and company productivity that is proxied by EBIT and asset turnover.

2. DISCUSSION

2.1. The Effect of Intellectual Capital (IC) on Firm Value

Intellectual capital in a company is not only indicated by the amount of knowledge held by the company but also represented by whether the knowledge is actualized in daily behavior and shared with all interested parties. Intellectual capital has become the most vital wealth and the most valuable asset for a company (Mulyadi, 2001). Intellectual Capital (IC) is believed to play an important role in increasing corporate value and financial performance. Companies that are able to utilize Intellectual Capital (IC) efficiently, the market value will increase. Bontis et al. (2000) state that in general, the researchers identified three main constructs of IC, namely: human capital (HC), structural capital (SC), and customer capital (CC).

This is a new challenge for accountants to identify, measure and disclose it in financial statements. According to Pulic (1998) the main goal of a knowledge-based economy is to create value added, while being able to create value added requires the right size about physical capital and intellectual potential. Research conducted by Novia (2012), Wahyu (2011), and Chen (2005) found that intellectual capital has a positive effect on firm value.

2.2. The Effect of Financial Performance on FirmValue

Performance appraisal is the determination of the effectiveness of operations, organizations, and employees based on periodically set targets, standards and criteria. If the company's performance is good, the business value will be high. It can be said that stock prices are a function of company value. Sutrisno (2009: 53) argues that the company's financial performance is a company achievement in a certain period that reflects the level of health of the company. Measurement of financial performance is measured in the company's performance in utilizing its assets to benefit the company. This research measures financial performance by using ROA (Return On Asset). Return On Asset reflects the amount of return generated on every rupiah of money invested in assets (Murhadi, 2015: 64). ROA shows the company's ability to make efficient use of total assets for the company's operations. The ratio of net income to total assets measures returns on total assets (return on assets-ROA) after interest and taxes (Brigham and Houston, 2015: 148).

The research conducted by Ida Subaida (2017) revealed ROA as financial performance has a positive influence on firm value. Chen (2005) revealed ROA, ROE, GR and EP had a positive effect on firm value. It can be said that financial performance can increase stock prices and can increase company value.

2.3. The Effect of Intellectual Capital (IC) that Moderates Financial Performance to Firm Value

The ability of intellectual capital as a strategy resource can be observed through its role as a trigger in boosting business performance. In this condition intellectual capital is the main key in achieving competitive advantage. Stakeholder theory explains that all company activities lead to value creation, ownership and utilization of intellectual resources enabling companies to achieve competitive advantage and increase added value. Research conducted by Chen et al. (2005), and Tan et al. (2007) prove that intellectual capital has a positive effect on the performance and market value of a company. The research conducted by Lestari (2016), Ihyaul (2007), Ceicilia (2011), Bontis (2000), revealed that intellectual capital has an effect on financial performance and intellectual capital has an effect on firm value. Nasih (2011) and Martin (2010) reveal that intellectual capital influences the value of the company through financial performance.

3.CONCLUSION

This study examines the theory of intellectual capital relations and financial performance on firm value. The results obtained indicate the influence of intellectual capital on firm value. Companies that are able to utilize Intellectual Capital (IC) efficiently, the market value will increase. Financial performance measured by return on assets (ROA) affects the firm value. If the company's performance is good, the business value will increase. It can be concluded that intellectual capital can moderate financial performance against firm value.

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