The Effect of Capital Structure and Intellectual Capital on Corporate Value with Financial Performance as Intervening Variable

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Abstract

This paper aims to see whether there is an influence of capital and intellectual structure on financial performance and firm value. The sample in this study used a purposive sampling method in order to obtain a final sample of 32 companies in the consumer goods industry with an observation period of 2012-2018. The type of data in this study uses secondary data. The study uses path analysis, the results of the study show that capital structure and intellectual capital variables have an influence on financial performance but do not have an effect on firm value.

Keywords: capital structure, intellectual capital, financial performance, company value, path analysis

Introduction

One of the goals of companies going public is to gain additional capital so they can continue to compete in an increasingly competitive industry. The management has an important role in improving company performance so that the value of the company as seen from the share price continues to increase, this is one of the demands of the capital owner, so that funds invested in a company can generate profits. Company value or known as Enterprise Value (EV) or firm value is a concept in determining investment decisions for investors, because it is an indicator for the market to assess the company as a whole (Nurlela and Ishaluddin, 2010). Salvatore (2005), explains the main objectives of the company according to theory of the firm are to maximize the value or value of the company. The value of the company itself is an investor's perception of the company, which is often associated with stock prices (Izhar, 2014). Furthermore according to Keown (2004) the value of the company is market value of the company's debt securities and outstanding equity. The value of the company is the investor's perception of the company's success rate that is often associated with stock prices.

So the high share price will make the company value is also high. The higher the share price (greater than the book value of the shares), the higher the wealth of the shareholders and vice versa the lower the share price (smaller than the book value of the shares), the lower the wealth of the shareholders. Company value illustrates how well or poorly management manages its wealth, this can be seen from the measurement of financial performance obtained (Ardimas & Wardoyo, 2014). A company will try to improve financial performance in order to achieve the wishes of shareholders.

To increase company value, optimal financial performance is needed. Financial performance is a process of every activity carried out by the company in generating added value in a certain period, so that the benefits that can be generated in its economic activities are illustrated. Financial performance can be measured using ratios derived from financial statements or using data on stock market prices (Berger & Patti, 2003). Furthermore, financial performance assessments can be carried out using financial ratios, which can be grouped into four categories, namely: liquidity ratios, solvency ratios, profitability ratios, and market value ratios (Masdupi, 2014). Research conducted by Kusuma and Mahmud (2015), proves that financial performance has a positive effect on firm value.

A good financial performance is inseparable from the proper use of capital structure by the company. The capital structure needs to be carefully considered in relation to the risks that may occur (potential risk)

of the decisions taken. Capital structure is a specific combination of long-term debt and equity used by companies in financing their companies (Ross, Westerfield, & Jordan, 2008). The combination will affect the level of risk and company value. Therefore, it is important to conduct a study to find out how the influence of corporate capital structure decisions on performance achieved. Based on research conducted by Fadhilah (2012), capital structure significantly influences company performance. So that the use of the right capital structure can improve company performance. Investors certainly do an overview on the company by looking at financial ratios in order to know the company's ability to manage assets to produce profitability; this information can be utilized in making investment decisions (Nuriwan, 2018).

Another factor that influences the company's value and financial performance is the human resources owned by the company. One approach used in the assessment and measurement of knowledge assets is intellectual capital (IC) (Solikhah, 2010). Human resources or also called intellectual capital (IC) is a term given to intangible assets which is a combination of markets and intellectual property, which is centered on humans and the infrastructure that allows companies to function (Ulum, 2008). Furthermore Ulum (2009) states that IC is generally identified as the difference between the company's market value and the book value of the company's assets or from its financial capital. Based on research conducted by Masdupi (2014), proving intellectual capital has a positive and significant effect on company performance. As well as research conducted by Izhar, Erlina and Yahya (2014) shows intellectual capital has an influence on firm value.

Methods

This study discusses the influence of capital structure and intellectual capital on financial performance and firm value. The sample in this study used a purposive sampling method in order to obtain a final sample of 32 companies with an observation period of 2012-2018. The type of data in this study uses secondary data. This research uses path analysis.

Results and Discussion

Path analysis is used to determine the effect of capital structure and intellectual capital on financial performance and firm value in the consumer goods industry sector. From the results of the analysis obtained as following figures;
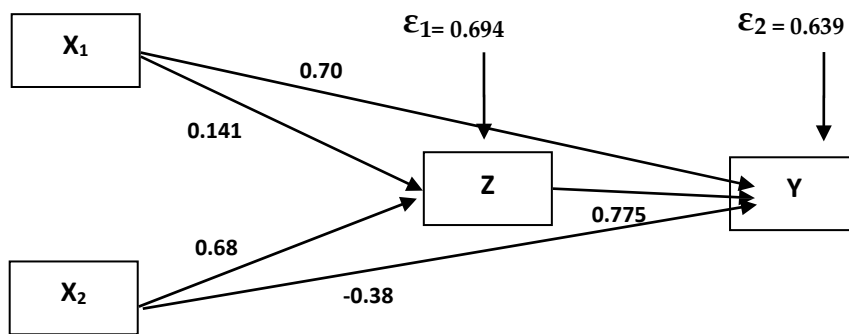

Figure 1 Path analysis

Information:

- X1   = Capital structure
- X2   = Intellectual capital
- Z   = Financial Performance
- Y   = Firm value

Hypothesis testing

Hypothesis 1

Capital structure affects the financial performance of companies in the consumer goods industry sector registered in the Indonesian stock exchange. Based on the results of the path analysis test known sig. 0.006 <0.05. It means that H0 is rejected and Ha is accepted, so that the alternative hypothesis proposed in the study is accepted, that capital structure influences financial performance.

Hypothesis 2

Intellectual capital affects the financial performance of companies in the consumer goods industry sector registered in the Indonesian stock exchange. Based on the results of the path analysis test known sig. 0.00 <0.05. It means that H0 is rejected and Ha is accepted, so that the alternative hypothesis proposed in the study is accepted, that intellectual capital influences financial performance.

Hypothesis 3

The capital structure affects the value of the company in the consumer goods industry sector companies listed in the Indonesian stock exchange. Based on the results of the path analysis test known sig. 0.146> 0.05. It means that H0 is accepted and Ha is rejected, so that the alternative hypothesis put forward in the study is rejected, that the capital structure has no effect on firm value.

Hypothesis 4

Intellectual capital affects the value of the company in companies listed consumer goods industry sector in the Indonesian stock market. Based on the results of the path analysis test known sig. 0.562> 0.05. It means that H0 is accepted and Ha is rejected, so the alternative hypothesis put forward in the research is rejected, that intellectual capital has no effect on firm value.

Hypothesis 5

Financial performance affects the value of the company in the consumer goods industry sector companies listed in the Indonesian stock exchange. Based on the results of the path analysis test known sig. 0.00 <0.05. It means that H0 is rejected and Ha is accepted, so that the alternative hypothesis proposed in the study is accepted, that financial performance influences firm value.

Hypothesis 6

Capital structure influences company value through intervening variables of financial performance in companies in the consumer goods industry sector registered in the Indonesian stock exchange. Based on the results of the path analysis test, it is known that the direct influence of the capital structure is 0.70 and the indirect effect is 0.11. So that the alternative hypothesis proposed in the study is accepted, that capital structure has an effect of 0.81 or 81% on the value of the company through financial performance variables.

Hypothesis 7

Intellectual capital affects the value of the company through intervening variables of financial performance in the consumer goods industry sector companies listed in the Indonesian stock market. Based on the results of the path analysis test, it is known that the direct influence of capital structure is - 0.38 and the indirect effect is 0.53. So that the alternative hypothesis proposed in the study is accepted, that capital structure has an effect of 0.15 or 15% on firm value through financial performance variables.

Discussion

The Effect of Capital Structure on Financial Performance and Firm Value on Consumer Goods Industry Companies Listed on the Indonesia Stock Exchange.

Based on the results of the path analysis seen the effect of capital structure on financial performance of 0.141 or 14.1% with sig. 0.006. So it can be concluded that the capital structure has a positive influence in improving financial performance. This is in line with research by Fadhilah (2012), Ruspandi & Asma (2014), and Puspita (2018), that capital structure influences financial performance. The capital structure used in this study is a debt to equity ratio (DER) where when there is an increase in the amount of debt made by

companies with a certain proportion it will have a positive impact on financial performance as measured by return on equity (ROE). While the effect of capital structure on firm value based on the results of the path analysis of 0.70 with sig. 0.146. So it can be concluded that the capital structure does not affect the value of the company as measured through the price to book value ratio (PBV).

The Effect of Intellectual Capital on Financial Performance And Company Value on Companies in the Consumer Goods Industry Listed on the Indonesian Stock Exchange

Based on the results of the path analysis shows the effect of intellectual capital on financial performance of 0.684 or 68.4% with sig. 0.00, so it can be concluded that intellectual capital has a positive influence in improving financial performance. This result is in line with research conducted by Chen (2005), Tan (2007), Ayu and Isynuwardhana (2014), and Kusuma and Mahmud (2015), where intellectual capital has a positive influence on a company's financial performance. When intellectual capital in a company has a high value, it will make the company's performance run well. While the influence of intellectual capital on firm value based on the results of the path analysis of -0.48 with sig. 0.562, so it can be concluded that intellectual capital has no influence on the value of the company.

Effect of Financial Performance on Firm Value in Companies in the Consumer Goods Industry Sector Listed on the Indonesian Stock Exchange.

Based on the results of the path analysis seen the influence of financial performance of 0.775 or 77.5% with sig. 0.00, so it can be concluded that financial performance has a positive influence on firm value. These results are consistent with research conducted by Akmalia, Dio and Hesti (2014), where financial performance has a positive and significant impact on firm value. In addition, research conducted by Tjandrakirana and Monika (2015) where financial performance (ROE) has a positive effect on firm value. Financial performance is one measure of a company's success and managing its resources, when financial performance has increased it will bring confidence to investors, so that it will affect the increasing value of the company.

The Effect of Capital Structureon Firm Value Through Intervening Variables of Financial Performance in Consumer Goods Industry Companies Listed on the Indonesia Stock Exchange.

Based on the results of the path analysis test, it is known that the beta value of the direct influence of capital structure on firm value is 0.70 and the value of non-direct influence is 0.11, so it can be said that the influence of capital structure on firm value through financial performance variables is the sum of the beta effect of direct influence with indirect influence, the results obtained are as follows; 0.70 +0.11 = 0.81 or 81%. So it can be concluded that the capital structure influences the value of the company through intervening variables of 81%.

The Influence of Intellectual Capital on Firm Value Through Intervening Variables of Financial Performance in Consumer Goods Industry Companies Listed on the Indonesia Stock Exchange

Based on the results of the path analysis test, it is known that the beta value of the direct influence of capital structure on firm value is -0.38 and the value of non-direct influence is 0.53, so it can be said that the intellectual influence of capital on firm value through the financial performance variable is the sum of the beta value of direct influence with no influence directly, the results obtained are as Follows; -0.38 + 0.53 = 0.15 or 15%. So it can be concluded that intellectual capital gives effect to the value of the company through an intervening variable of 15%.

Conclusions

Based on the results of the analysis and discussion of the influence of capital structure and intellectual capital on firm value with financial performance as an intervening variable in the consumer goods industry

sector, it can be concluded that the capital structure and intellectual capital variables have a positive influence on financial performance, but do not have influence on company value. In addition, the capital structure has a positive influence on the value of the company, where when there is an increase in performance, the company's value will also increase. Then the effect of capital structure on firm value through intervening variables of 0.81 or 81% and the effect of intellectual capital on company value through intervening variables of 0.15 or 15%.

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