Pandemic Firm’s Performance: The Effect of Good Corporate Governance and Intellectual Capital

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ABSTRACT
The research aims to obtain empirical evidence regarding the effect of Good Corporate Governance and Intellectual Capital on the Company's financial performance before and during the Covid-19 pandemic. The population used in this study is the consumer cyclical sector companies in the consumer services sub-sector which are classified as hotel companies listed on the IDX in 2018-2021. The 96 data collected were obtained using purposive sampling, and processed with Eviews. The results showed that the intellectual capital variable had an effect on financial performance, but had no effect on the dimensions of corporate governance. Different tests show that there are differences between boards of directors, intellectual capital, capital structure, and financial performance before and during the pandemic. Meanwhile, the independent commissioner and audit committee variables were no different before and during the pandemic. Governance is mandatory for the sample companies, while intellectual capital is considered more influential in boosting current good corporate performance. Research shows that managers and organizations respond to and adapt to the uncertainties in their business environment through a variety of mechanisms, including strategic intellectual structures to prepare for and respond to future emergencies, not just corporate governance. This provides a new performance measurement model for governance policymakers in formulating corporate performance improvement strategies.

***Keywords**: Company Performance, Good Corporate Governance, Intellectual Capital, and the Covid-19 Pandemic.*

1. INTRODUCTION

The spread of the Covid-19 outbreak to all corners of the world in 2020 has caused a contraction in the global economic growth of 3.2% (Ministry of Finance of the Republic of Indonesia, 2021). Based on data from the Central Bureau of Statistics (2021), Indonesia's economic growth in 2020 also experienced a contraction of 2.07% compared to 2019. The worsening economic conditions in Indonesia in the second quarter of 2020 due to the Covid-19 pandemic caused many business industries to be affected. Starting from the hotel and tourism sector, aviation, MICE (Meetings, Incentives, Conferences, Exhibitions), bars and restaurants, cinemas and concerts, sports, malls and retail, consumer electronics, and automotive [4].

The pandemic Covid-19 policy was also the cause for several industrial sectors that ended up experiencing severe financial shocks. The impact of the pandemic in 2020 has caused a decline in the financial performance of companies that are included in hospitality.This companies are an industry that refers to a variety of businesses and services related to customer pleasure and satisfaction such as hospitality, restaurants and tourism [8].

2. BACKGROUND

Financial performance can be used as a tool to measure the good or bad performance of a company by looking at its financial statements. The Ministry of Tourism and Creative Economy stated that in 2020 there was a decline in revenue in the tourism sector of IDR 20.7 billion. In addition, there was a reduction in working hours for 12.91 million workers in the tourism sector and there were 939 thousand people whose work was temporarily suspended (Kemenparekraf/Baparekraf RI, 2021).

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Based on data from the Indonesia Stock Exchange, a comparison of the financial performance of companies in the hotel, restaurant, and tourism sub-sector before and during the pandemic using ROA is illustrated in Picture 1.

Figure. 1. Hospitality Firm Performance
Sources: Processed Data of IDX Annual Report 2018-2021

Based on Figure 1, the company experienced a decline in financial performance during the Covid-19 pandemic. Financial performance is measured using a profitability ratio, namely ROA (Return on Assets). The company's ROA value during the pandemic in 2020 tended to decrease compared to 2019. It can be seen that companies engaged in the hospitality sector experienced a decline in financial performance in 2020 where one of the contributing factors was the emergence of the Covid-19 pandemic. Then in 2021, it can be seen that the company is gradually experiencing an increase in financial performance compared to the previous year. For companies that have been listed on the IDX, financial performance is very important to maintain investor confidence. Good financial performance can be obtained if the company maximizes the function of all of its assets, both tangible and intangible assets. Several efforts that can be made by companies to improve financial performance are by implementing Good Corporate Governance, intellectual capital, and capital structure.

GCG is a concept which states that shareholders have the right to receive accurate, correct and timely information (Sejati et al., 2018). Referring to previous studies, there are several proxies that are usually used by researchers to conduct research on good corporate governance such as independent commissioners, audit committees, and boards of directors. In research conducted by (Sarafina & Saifi, 2017) the results show that independent commissioners have a significant influence on the company's financial performance. Different results were obtained from research conducted by Situmorang & Simanjuntak (2019) which stated that the composition of independent commissioners had no significant effect on financial performance.

The audit committee plays an important role in maintaining the credibility of financial reports, one of which is by implementing good corporate governance. The results of the study (Sarafina & Saifi, 2017) state that the audit committee has a significant effect on financial performance. In contrast to the results of research conducted by Sejati et al., (2018) which stated that the audit committee had no partial effect on financial performance. With regard to the board of directors, the results of research conducted by Mira & Meina (2019) explain that the board of directors has a significant positive effect on financial performance. The results of this study are not in line with research conducted by (Situmorang & Simanjuntak, 2019) that the composition of the board of directors has no significant effect on financial performance.

3. LITERATURE REVIEW

Stakeholder theory is a theory first put forward by Freeman in 1984 in his work entitled Strategic Management: A Stakeholder Approach. Stakeholder theory shows that companies must be accountable to several parties (Freeman, 1984). This theory explains that companies run their business not only for the benefit of the company itself but also for the interests of its stakeholders. All stakeholders (stakeholders) have the right to be seen fairly by agencies, and managers must be able to manage their organizations for the benefit of stakeholders (Deegan, 2004). Agency managers have fulfilled ethical aspects when managers can maximize their management of agencies, especially those related to efforts to create value for the company. In creating value for the company, managers can do this by maximizing all the potential possessed by agencies including employees, physical assets, or structural capital.

Resource-Based View Theory was first sparked in the work of Wernerfelt (1984) with the title "A Resource-based view of the firm". In his work, Wernerfelt describes an analysis from the perspective of ownership of resources by companies. Then, according to Barney (1986) Resource Based View Theory explains that an agency can have a competitive advantage if it relies on its own resources which can later direct the company to be sustainable on an ongoing basis. The RBV theory explains that a company's competitive advantage can survive if its ability to create profits is supported by resources that are not easily plagiarized by business rivals. According to the RBV theory put forward by Madhani (2009) in (Wijaya & Wiksuana, 2018), resources generally include organizational processes, information, and knowledge that can be controlled by a company when implementing its business strategy.

Good corporate governance according to PMK No. 88/PMK.06/2015 (Minister of Finance of the Republic of Indonesia, 2015) is a system designed to direct the management of company companies based on the principles of transparency, independence, accountability, responsibility, and fairness, to achieve the implementation of business activities that take into account the interests of each party related to the implementation of business activities, based on laws and regulations and generally accepted practices.

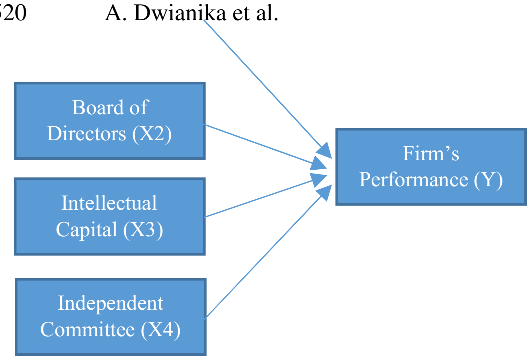

Figure. 2. Research Framework

4. METHOD

This study uses quantitative methods on data from Independent Commissioners, Audit Committee, Board of Directors, and Intellectual Capital, as well as Financial Performance as dependent on quantitative data. The research object used in this research is the annual report (Annual Report) of companies that are included in the hospitality category which are listed on the Indonesia Stock Exchange (IDX) in 2018-2021.

The population used in this study are all companies that fall into the consumer cyclical category (non-primary consumer goods) in the consumer services sub-sector which are listed on the Indonesia Stock Exchange in 2018-2021. The sample of this research is the financial statements of hospitality companies listed on the Indonesia Stock Exchange (IDX) using purposive sampling.

5. RESULT AND DISCUSSION

Based on the data contained in Table 3 below, the results of the descriptive statistical test for the Independent Commissioner (IC) variable show an average value of 0.415, a maximum value of 0.667, a minimum value of 0.333 and a standard deviation of 0.098. Based on the average value of the KI variable, it can be concluded that in the 2018-2021 period, the number of independent commissioners for hospitality companies is 41.5% of the total company board of commissioners.The results of the descriptive statistical test on the Audit Committee (KA) variable showed an average value of 0.651, a maximum value of 0.75, a minimum value of 0.333, and a standard deviation of 0.080. Based on the average value of the KA variable, it can be concluded that in the 2018-2021 period, the number of audit committees for hospitality companies is 65.1% of the total company audit committees.

The results of the descriptive statistical test on the Board of Directors (DD) variable showed an average value of 0.143, a maximum value of 0.278, a minimum value of 0.070, and a standard deviation of 0.051. Based on the average value of the DD variable, it can be concluded that in the 2018-2021 period the board of directors of hospitality companies is around 14.3%. The results of the descriptive statistical test on the Intellectual Capital (IC) variable showed an average value of 0.945, a maximum value of 20.905, a minimum value of -42.173, and a standard deviation of 6.660. Based on the average value of the IC variable, it can be concluded that in the 2018-2021 period, the value of intellectual capital owned by hospitality companies is 94.5%. And the results of the descriptive statistical test on the financial performance variable (ROA) show an average value of -0.023, a maximum value of 0.095, a minimum value of -0.257 and a standard deviation of 0.071.

Sample: 2018 2021

	KI	KA	DD	IC	SM	ROA
Mean	0.415515	0.650597	0.143460	0.945105	0.413074	-0.023176
Median	0.333300	0.666700	0.141050	2.039950	0.389700	-0.019300
Maximum	0.666700	0.750000	0.278500	20.90550	0.884700	0.094800
Minimum	0.333300	0.333300	0.070200	-42.17360	0.019800	-0.257500
Std. Dev.	0.097882	0.079782	0.051132	6.660274	0.185116	0.070756
Skewness	0.843191	-3.561189	0.637319	-3.810953	0.145091	-0.713017
Kurtosis	2.757883	14.62842	3.144026	24.76576	2.780339	3.813813
Jarque-Bera	10.64253	681.8105	6.033296	1950.086	0.485674	9.884837
Probability	0.004887	0.000000	0.048965	0.000000	0.784399	0.007137
Sum	36.56530	57.25250	12.62450	83.16920	36.35050	-2.039500
Sum Sq. Dev.	0.833533	0.553774	0.227460	3859.254	2.981325	0.435558
Observations	88	88	88	88	88	88

Figure. 3. Descriptive Statistic

A probability value (F-Statistics) 0.0000 <0.05, so it can be concluded that the variables of independent commissioners, audit committees, board of directors, and intellectual capital simultaneously affect the company's financial performance. While the results of the partial significance test (t test) show that: a) Prob Value. KI is 0.0035 <0.05, so it can be concluded that the independent commissioner variables affect the financial performance variables. b) Prob Value. KA is 0.0654 > 0.05, so it can be concluded that the audit committee variable has no effect on financial performance variables. c) Prob Value. DD is 0.6922 > 0.05, so it can be concluded that the board of directors variable has no effect on financial performance variables.d) Prob Value. IC is 0.0221 <0.05, so it can be concluded that the intellectual capital variable affects the financial performance variable.

The independent commissioner variable was measured using the DKI formula. The DKI value is obtained by dividing the number of the company's independent commissioners by the company's total board of commissioners. The results of testing the hypothesis using the t test indicate that the independent commissioner has an effect on financial performance (H1 is accepted). Based on the results of data processing that has been done, the probability value for the independent commissioner variable is 0.0035 <0.05. Independent commissioners have an effect on financial performance indicating that a large number of independent commissioners guarantees that the company's financial performance will also increase. This is because the supervision carried out by independent commissioners on the top management has been optimal. The results of this study are in line with research conducted by (Yuliani & Sukirno, 2018), (Monica & Dewi, 2019), (Prayanthi & Laurens, 2020), and (Gunawan, et al, 2019) which state that the independent commissioner variable influences firm's financial performance.

In this study, the influence of independent commissioners on financial performance proves the implementation of the stakeholder theory which states that company management helps increase the value of the consequences that occur in the company's business activities, and can minimize losses for stakeholders. The results of this study indicate that the independent commissioners have supervised the company's top management in managing the company's business so that it can provide benefits to stakeholders. The majority of hospitality companies appoint independent commissioners to comply with GCG principles which require companies to have at least one independent commissioner or at least 30% of the total board of commissioners (Otoritas Jasa Keuangan Republik Indonesia, 2014).

Audit committee variables are measured using the KA formula by dividing the number of audit committees other than independent commissioners by the company's total audit committees. The results of testing the hypothesis using the t test show that the audit committee has no effect on financial performance. Based on the results of data processing that has been done, the probability value for the audit committee variable is $0.0654 > 0.05$. The audit committee has no significant effect on financial performance indicating that the large number of audit committees has no direct effect on whether the company's financial performance is good or bad. This means that the audit committee has not been able to maximize its duties and functions in assisting the board of commissioners to supervise top management. The results of this study are in line with research that has been conducted by Laksono & Kusumaningtias (2021), Honi, et al (2020), Novitasari, et al (2020), Eksandy (2018), Aprila, et al (2022) which states that the audit committee no effect on financial performance.

In this study, the influence of the audit committee on financial performance cannot prove the application of stakeholder theory. The results of this study indicate that the company's audit committee has not been maximal in carrying out its duties and functions in assisting the company's commissioners to carry out supervision. In the end the audit committee is less able to help improve financial performance to provide benefits to stakeholders. Based on research data samples, 21 hospitality companies formed audit committees in accordance with the number required in the Decree of the Chairman of Bapepam and Financial Institutions Number: KEP-643/BL/2012 where the number of audit committees consists of at least 3 members chaired by an Independent Commissioner (Badan Supervisor of Capital Markets and Financial Institutions, 2012).

The board of directors variable is measured using the DD formula by dividing the number of directors by the Ln value of the company's total assets. The results of testing the hypothesis using the t test show that the board of directors has no effect on financial performance. Based on the results of data processing that has been done, the probability value for the board of directors variable is $0.6922 > 0.05$. The board of directors has no effect on financial performance showing that the large number of boards of directors does not guarantee an increase in the company's financial performance. This indicates that the board of directors has not been able to maximize its ability to manage operational activities in accordance with the company's business objectives. The results of this study are in line with research conducted by Mipo (2019), Situmorang & Simanjuntak (2019), Honi, et al (2020), and Novitasari, et al (2020) which state that the board of directors has no effect on financial performance.

The effect of the board of directors on financial performance cannot prove the application of stakeholder theory. According to this theory, company management can increase the results of a company's business activities and can also minimize losses for stakeholders. The results of this study indicate that the quality, strategy, and capabilities possessed by the company's board of directors are still not able to improve financial performance for the benefit of the company's stakeholders. An example occurs in PT. Fast Food Indonesia, Tbk, which has quite a number of directors, but the company's financial performance has not increased.

The intellectual capital variable is measured using the Modified Value Added Intellectual Coefficient (MVAIC) formula which is obtained by adding the values of Human Capital Efficiency (HCE), Structural Capital Efficiency (SCE), Relational Capital Efficiency (RCE) and Capital Employed Efficiency (CEE).). The results of testing the hypothesis using the t test show that intellectual capital has a significant effect on financial performance. Based on the results of data processing that has been done, the probability value for the intellectual capital variable is $0.0221 < 0.05$. In addition to tangible assets, the company also has intangible assets in the form of human resources that have intellectual value. For companies, intellectual capital is very important to maintain the continuity of the company and help improve the company's financial performance. Intellectual capital helps companies have superior competitiveness compared to competitors in similar industries. The results of this study are in line with research conducted by Rosiana & Mahardhika (2020), Simamora & Sembiring (2018), Febriany (2019), and Subiyanto & Amanah (2022) which state that intellectual capital has a significant effect on financial performance.

The effect of intellectual capital on financial performance in this study supports the Resource Based View (RBV) theory which explains that resources that are not easily plagiarized by other entities will be able to increase company profits. The results of this study indicate that companies engaged in the hospitality sector have resources with intellectual abilities that can help improve the company's financial performance.

The results of the Paired Sample t-Test test show that a) The Two-Sided Significance value for the dependent variable of financial performance is 0.001 <0.05 so that it can be concluded that there are differences in financial performance variables before and during the Covid-19 pandemic. b) The Two-Sided Significance value for the independent commissioner variable is 0.940 > 0.05 so that it can be concluded that there was no difference in the independent commissioner variables before and during the Covid-19 pandemic. c) The Two-Sided Significance value for the audit committee variable is 0.117 > 0.05 so that it can be concluded that there was no difference in the audit committee variables before and during the Covid-19 pandemic. d) The Two-Sided Significance value for the board of directors variable is 0.043 <0.05 so it can be concluded that there were differences in the board of directors variables before and during the Covid-19 pandemic. e) The Two-Sided Significance value for the intellectual capital variable is 0.048 <0.05 so that it can be concluded that there were differences in the intellectual capital variable before and during the Covid-19 pandemic.

CONCLUSION

The intellectual capital variable had an effect on financial performance but had no effect on the dimensions of corporate governance. Different tests show that there are differences between boards of directors, intellectual capital, capital structure, and financial performance before and during the pandemic. Meanwhile, the independent commissioner and audit committee variables were no different before and during the pandemic. Governance is mandatory for the sample companies, while intellectual capital is considered more influential in boosting current good corporate performance. Research shows that managers and organizations respond to and adapt to the uncertainties in their business environment through a variety of mechanisms, including strategic intellectual structures to prepare for and respond to future emergencies, not just corporate governance.

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