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Financial Performance and Intellectual Capital Disclosure as Determinants of the Value of Banking Companies with Company Size as Moderating

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A B S T R A C T

This study aims to analyze the effect of financial performance and intellectual capital disclosure as a determinant of the value of a banking company with company size as a moderator. This type of research is explanatory research. The population in this study amounted to 45 companies in the banking sector listed on the Indonesia Stock Exchange. Sampling was done by purposive sampling with a sample size of 104 companies. The data analysis method used was Moderated Regression Analysis (MRA) with data analysis tools using Eviews version 11. The results show that the variables Return on Equity, Debt to Equity Ratio, and Intellectual Capital Disclosure have a significant positive effect on Price to Book Value and are based on tests. Moderated Regression Analysis shows that the variable company size can moderate the influence of the variables Return on Equity, Debt to Equity Ratio, and Intellectual Capital Disclosure on Price to Book Value.

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1. Introduction

The global economy is growing so rapidly, where the world community continues to change with changing times and also competes with each other to improve their competence to face various global competitions. Indonesia as a developing country must be able to adapt to this so that the country's economic conditions remain stable. Companies continue to compete with each other for maximum profit and company value. Maximizing company value is one of the goals the company is trying to achieve (Rohmah, 2019; Utomo & Chariri, 2015). Firm value is considered capable of influencing investors' assessment of the company. Company value can be in the form of asset value and management expertise in managing the company. For companies that have gone public, the value of the company can be determined by the share price listed on the Indonesia Stock Exchange. The higher the stock price in a company, the higher the company's value. Companies that have good performance are obtained from higher company value (Guthrie et al., 1999; Sari & Priyadi, 2016).

Firm value can also be influenced by the size of the profitability generated by the company. Profitability is the level of net profit that a company can achieve when running its operations. The profit that deserves to be shared with shareholders is the profit after interest and taxes. The greater the profit obtained, the greater the company's ability to pay dividends. So theoretically the higher the level of profitability achieved by the company, the higher the value of a company (Cecilia & Torong, 2015; Sambora, 2014). In accordance with the Signaling Theory, which shows that high profitability is related to good company prospects, which triggers investors to increase demand for shares (Bhattacharya, 1979; Hooks & Staden, 2011). Leverage is the use of debt by the company to carry out company operations. Debt can come from banks or another financing. Companies that do too much debt financing are considered unhealthy because they can reduce their profits. Companies with high levels of leverage are vulnerable to financial distress.

In this knowledge-based economy era, the basic needs of a company do not only depend on physical capital and financial capital such as profitability and leverage but also intellectual capital is also important to take into account (Dewi & Wirajaya, 2013; Permono & Raharja, 2011). The importance of intellectual capital to be taken into account is what causes the company's development to move towards knowledge-based resource management to create company value and provide a sustainable competitive advantage. The Intellectual Capital Disclosure is proof of the company's ability in terms of wealth creation (Lina, 2013; Sujoko, 2007). Intellectual Capital Disclosure can help companies reduce information asymmetry so that it can increase investor confidence and employee loyalty. Disclosure of a company's intangible assets can be done through the disclosure of Intellectual Capital. This is supported by the emergence of IAS 38 (PSAK 19), which aims to determine the accounting treatment for intangible assets owned by a company. In the revised PSAK No. 19 of 2010, there are rules regarding the definition, recognition, and measurement of intangible assets. The issuance of IAS 38 at least answers the dissatisfaction of some parties as information users, due to limitations in disclosing company information that only comes from tangible assets. However, how to measure and how to disclose intangible assets in the form of intellectual capital are still explicit in the financial statements.

The increasing relevance of the company's annual financial statements by conducting Intellectual Capital Disclosure can be influenced by the size of the company which can be reflected in how big a company is measured in the company's total assets value at the balance sheet at the end of the year. The measurement of company size in this study uses the natural logarithm of total assets which includes current assets and non-current assets of the company so that it more represents the actual size of the company (Astuti & Wirama, 2016; Hermuningsih, 2013). Firm size is a widely used predictor variable to explain variations in firm value. If it is related to agency theory, large companies that have greater agency costs will disclose broader information to reduce agency costs. In addition, companies that are larger in size tend to have a higher public demand for information than companies that are smaller in size. Another reason is those large companies and has greater agency costs will certainly disclose broader information, this is done to reduce agency costs incurred. More shareholders mean more disclosure. This is due to demands from shareholders and capital market analysts (Gunawan, 2017; Jensen & Meckling, 1976).

The banking industry was chosen with the consideration that this industrial sector is very tightly regulated and is also a sector that has a high Intellectual Capital Disclosure incentive so that it tends to provide more information to the public. This study elaborates on several previous studies where the results of several studies are still very mixed. In research by (Cahya, 2013) This shows that the level of Intellectual Capital Disclosure in Indonesia is still low, namely only 34.92% of the total 36 items of Intellectual Capital Disclosure on average. These results indicate that the Intellectual Capital Disclosure is still not disclosed in the company's annual report. As we know, intellectual capital disclosure is one of the most widely considered types of information by investors because investors or other stakeholders can judge companies managing existing resources to increase company value. Thus, there is still an information gap that remains to be investigated for this study.

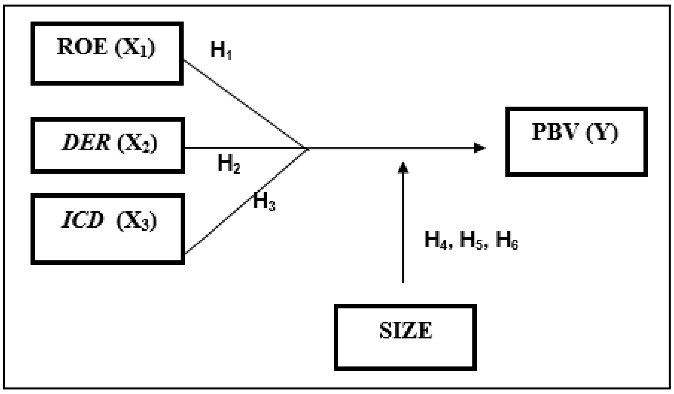
This study also explores several novelties, namely, first, this study will explore the relationship to test the assumption that company size can be said to be a condition that will moderate the effect of financial performance and intellectual capital disclosure on the value of banking firms. Second, this study contains a panel data Moderated Regression Analysis regression model with various hypothetical associations to test several relationships simultaneously.

The research objective is to test and provide empirical evidence regarding the effect of profitability, leverage, intellectual capital disclosure on firm value. Furthermore, the purpose of this study is to test and provide empirical evidence regarding the effect of profitability, leverage, intellectual capital disclosure on firm value as moderated by firm size.

2. Methods

This research is a type of explanatory research with a quantitative approach. The population used in this study were all banking companies listed on the Indonesia Stock Exchange in 2016 - 2019. The sample selection was carried out by a purposive sampling method by producing a total of 104 research observation data from 2016 - 2019.

The type of data used in this research was secondary data. Secondary data was sourced from the annual report of all samples of companies listed on the Indonesia Stock Exchange. This study used multiple linear regression and moderated regression analysis (MRA). This study used three models. The structural model of this study is depicted in Figure 1.



Picture 1. Research Model

Information
PBV: *Price to Book Value*
ROE: *Return on Equity*
DER: *Debt Equity Ratio*
SIZE: Company Size

3. Results and Discussions

Result

Hypothesis testing in this study uses Moderated Regression Analysis (MRA), which is to test the effect of Financial Performance and Intellectual Capital Disclosure on Firm Value with Firm Size as Moderator. The results of moderation regression calculations with the Eviews 11 for Windows program. The results of hypothesis testing are presented as follows.

Table 1. The equation I Moderated Regression Analysis (MRA) Results

Variable	Coefficient	t-Statistic	Prob.	Information
ROE	0.866468	-1.508507	*0.0346	Significant
DER	0.148915	-1.149923	*0.0252	Significant
ICD	0.243248	0.330038	*0.0421	Significant
C	0.438266	0.438928	0.6617	
R-squared		0.036072		
Adjusted R-squared		0.071540		
F-statistic		1.247407		
Prob(F-statistic)		0.029668		

*Description: * Sign. α = 5% or 0.05*
Source: Data is processed using eviews

Table 2. Equation II Results of Moderated Regression Analysis (MRA)

Variable	Coefficient	t-Statistic	Prob.	Information
ROE	-0.884605	-1.537501	0.1274	
DER	-0.149805	-1.156400	0.2503	
ICD	0.305346	0.409003	0.6834	
LN_ASET	0.862906	-0.511765	*0.6100	Not Significant
C	1.268007	0.666382	0.5067	
R-squared		0.000106		
Adjusted R-squared		0.038733		
F-statistic		0.997282		
Prob(F-statistic)		0.041281		

Description: * Sign. α = 5% or 0.05
Source: Data is processed using e-views

Table 3. Persamaan III Hasil *Moderated Regression Analysis* (MRA)

Variable	Coefficient	t-Statistic	Prob.	Information
ROE	-1.084135	-1.820378	0.0718	
DER	-0.181771	-1.395981	0.1659	
ICD	21.87294	0.648955	0.5179	
LN_ASET	21.45225	0.635879	0.5264	
ROE_LNASET	0.115885	1.640869	*0.0104	Significant
DER_LNASET	-0.133244	-0.838029	*0.0404	Significant
ICD_LNASET	-52.00261	-0.644604	*0.0207	Significant
C	-5.643051	-0.542316	0.5889	
R-squared		0.010201		
Adjusted R-squared		0.077469		
F-statistic		1.151646		
Prob(F-statistic)		0.033795		

*Description: * Sign. α = 5% or 0.05*
Source: Data is processed using e-views

Discussion

Effect of Profitability on Firm Value

The results of the t statistical test indicate that profitability has a significant effect in a positive direction on firm value. The results of this study are consistent with research conducted by (Chen & Chen, 2011) which provides research results, namely the greater the profitability of a company, the more profit is given, and the higher the value of the company. Profitability has a significant positive effect on firm value.

Research on the profitability of firm value has been conducted by (Hartono, 2016; Wahyudi et al., 2016) who found the results of profitability have a positive and significant effect on firm value. In the Signaling theory, sufficiently high and stable profits can provide positive signals by investors to the company. Investors will consider companies that have increased profits to be good for prospects so that they can increase the demand for company shares which will indirectly increase the value of the company by increasing its share price.

Profitability as measured by return on equity. This ratio is a measure of profitability from the shareholder's point of view. One of the main reasons companies operate is to generate beneficial profits for shareholders, a measure of the success of achieving this reason is the return on equity is achieved. The greater the return on equity reflects the company's ability to generate high returns for shareholders.

The Effect of Leverage on Firm Value

The results of the t statistical test show that leverage has a significant effect in a negative direction on firm value. The results of this study are consistent with the research (Cheng & Tzeng, 2011; Rachman, 2016) with empirical results showing that firm values are higher in companies that have greater leverage than the value of companies that have less leverage. These findings can provide insight into corporate debt financial decisions to maximize firm value.

Leverage describes the relationship between company debt to capital and assets. This ratio looks at how far the company is financed by debt or external parties with the company's capital. A good company should have a larger capital composition than debt. The higher the leverage ratio, the greater the risk of loss. The Modigliani-Miller theory states that an increase in debt can increase the firm value if it has not reached its optimal point, this is reinforced by the trade-off theory which explains that the use of debt can reduce the tax burden and agency costs of the company (Brigham & Houston, 2009).

The Effect of Intellectual Capital Disclosure on Company Value

The t statistical test results show that the Intellectual Capital Disclosure has a significant effect in a positive direction on Firm Value. The results of this study are consistent with the research (Purwati, 2018; Sudibya & Restuti, 2014) which is where shareholders will pay more attention to companies that can create value because that way the company will be better able to prosper stakeholders.

In this research, the creation and enhancement of company value can be achieved by providing information in the form of detailed and comprehensive annual reports. Through Signaling theory, the report provides a signal in the form of information on company resources, one of which is Intellectual Capital Disclosure to stakeholders. In addition to voluntary disclosure in the form of intangible assets in the form of intellectual capital, companies also disclose results of financial performance or results of economic performance.

The increase in company value was created by the capital used by the company, including intellectual capital. If the company can manage its intellectual capital to its full potential, the company's value will increase. Likewise the results of research by (Bchini, 2015) namely to maximize value by applying the necessary means, among others, human capital, organizational capital, and relational capital.

The effect of profitability on firm value when moderated by company size

The t statistical test results show that firm size can moderate the effect of profitability on firm value and shows the firm size as pure moderation, which means that this moderating variable is not related to the dependent and independent variables, but interacts with the independent variables. So the moderating variable is classified as a pure moderator or original moderator.

The results of this study are consistent with research conducted by (Banz, 1981) who states that companies with large assets are considered more stable in increasing profitability to increase their firm value. And of course, in large companies, it is easier for external parties or investors to access information from the company. Thus, companies with large assets will get more attention from the public and other external parties. It is also hoped that large companies will always strive to maintain the stabilization of their financial performance to increase company value.

The size of the company is considered to be a condition that will strengthen the influence of the company's financial performance, which in this case is profitability on company value. In accordance with agency theory, the larger the size of the company, the easier it will be for the company to get funds so that there are many differences in interests between the principal and agent. Through the fund, it will be managed by management to increase the company's value (Sugiarti et al., 2015).

The effect of leverage on firm value when moderated by company size

The t statistical test results show that firm size can moderate the effect of leverage on firm value and shows that firm size is a pure moderation, which means that this moderating variable is not related to the dependent and independent variables, but interacts with the independent variables. So the moderating variable is classified as a pure moderator or original moderator.

The results of this study are consistent with research conducted by (Izaah, 2017) which shows that leverage has a negative and significant effect on firm value, and in moderation, firm size can negatively moderate the relationship between leverage and firm value. In accordance with the agency theory, the larger the size of the company, the agency conflicts that occur due to information asymmetry in which the agent as the manager of the company directly understands the internal conditions of the company when compared to the principal who has little information about the condition of the company (Banz, 1981) states that the size of companies with large assets is considered more stable in managing their debt to increase firm value. In large companies, it is also easier for external parties or investors to access information from the company. In this model, firm size remains a condition that will weaken the negative effect of leverage on firm value. Where in large companies with a higher leverage ratio, the effect on company value will be lower, because it is considered to create a large risk in investing.

The influence of Intellectual Capital Disclosure on firm value if moderated by company size

The t statistical test results show that firm size can moderate the effect of intellectual capital disclosure on firm value and shows that firm size is pure moderation, which means that this moderating variable is not related to the dependent and independent variables, but interacts with the independent variables. So the moderating variable is classified as a pure moderator or original moderator.

The results of this study are consistent with research conducted by (Purwati, 2018) which shows that intellectual capital affects firm value and firm size can moderate the relationship between intellectual capital and firm value. Based on agency theory, the greater the size of the company which is a condition for strengthening the influence of intellectual capital disclosure on firm value will result in a large profit which will lead to differences in interests between the principal and the agent. (Bontis et al., 2000) stated that Intellectual Capital is very important in improving an organization's ability to create company value.

Companies with large assets are considered more stable in improving their financial performance and non-financial performance to increase company value (Banz, 1981). In large companies, it is easier for external parties or investors to access information from the company. Thus, companies with large assets will get more attention from the public and other external parties, one of which is through the disclosure of annual reports. So that investors and other external parties are currently not only assessing the company from its financial performance, but also through its non-financial performance, one of which is intellectual capital disclosure to reduce information asymmetry that occurs within the company.

4. Conclusion

Based on the results of the research that has been done, it can be concluded that the profitability and intellectual capital disclosure have a significant effect on firm value in a positive direction. This means that the higher the profitability and Intellectual Capital Disclosure, the higher the firm's value. In addition, Leverage has a significant effect on firm value in a negative direction. That is, the higher the leverage, the lower the company value. Firm size can strengthen the effect of profitability and Intellectual Capital Disclosure on firm value and weaken the effect of leverage on firm value.

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