

Improving Financial Performance through Financial Risk and Intellectual Capital

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ARTICLE INFO	ABSTRACT
Published Online: 31 July 2024	This research aims to analyze the influence of financial risk and intellectual capital on financial performance and the influence of financial risk and intellectual capital on financial performance. This research method is explanatory research and causality research design. The population in this research is all manufacturing companies listed on the Indonesia Stock Exchange from 2019 to 2021. The data analysis technique uses path analysis with two substructure equations and testing classical assumptions. This research method is descriptive analysis research. Research data uses secondary data obtained from information in the annual reports of each manufacturing company on the Indonesia Stock Exchange during the research period with data analysis techniques using path analysis. This research shows that financial risk significantly and negatively affects the company's financial performance. The use of capital originating from debt has a negative impact. The company experienced a reduction in its profit target because it had an obligation to pay interest on debt. The greater the use of leverage, the more significant the reduction in the rate of return on its capital. Intellectual capital significantly and positively affects a company's financial performance. Intellectual capital efficiency is substantially and positively related to a company's financial performance. In the future, it is hoped that the company's financial performance will be achieved through effective risk management policies and maximum utilization of intellectual capital, which will impact increasing company value.
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KEYWORDS: Intellectual Capital, Financial Risk, Value of the Firm, Financial Performance	

1. INTRODUCTION

Increasing profits is one of the company's goals. In order to realize company goals, companies must meet their funding needs in order to maximize performance. Good performance can increase company value and the market price of the company's shares. Apart from maximizing profits, companies must also be able to maximize company value. The company's value increases along with the increase in share prices traded on the capital market. Company value will provide information to the market. Therefore, some companies try to improve performance. The higher the company value, the more prosperous the shareholders are. Companies with high levels of productivity and company value will have easier access to the capital market (Pangestuti et al., 2022).

This research examines manufacturing companies because manufacturing companies have continuous production, so good capital and asset management are required to produce large profits. Manufacturing companies

have relatively stable financial ratios. The phenomenon in this research in the 2019-2021 period is the COVID-19 pandemic period, where the company cannot control it in the urgent term. Almost all industrial companies experienced a decline in performance, especially companies with large amounts of debt, except those related to health. This decline in the company's financial performance will affect the company's value.

This research will also examine the effect of intellectual capital on financial performance and company value. According to Stewart (1997), intellectual capital is a collection of knowledge, information, intellectual property rights, competencies, team communication systems, customer relationships, experiences and brands that can create company value. Previous research is in line with research (Weqar et al., 2020); (Shakina et al., 2017) found research results that intellectual capital had a significant and positive effect on the company's financial performance. Different research results by Malaya and Jiwa (2019) found

that intellectual capital did not affect financial performance and company value. However, financial performance could mediate the influence of intellectual capital on company value.

Financial performance indicates a company's effectiveness and efficiency in achieving its goals (Brigham & Houston, 2019). Assessment of a company's financial performance can be done by analyzing the company's financial reports (Maith, 2013). Company financial performance information can be used in investors' decision-making. Good financial performance is to the company's fundamental conditions, which impact the company's sustainability in the future. Therefore, researchers are interested in further research on this matter.

This research aims to describe and analyze the influence of financial risk, intellectual capital and financial performance. The benefits of this research are expected to provide benefits in the development of science by contributing to the development of knowledge about Resources Base Theory, Signaling Theory and Agency Theory. It is hoped that this will provide input to policymakers/regulators for efforts to improve the economy, especially during bad economic times, for example, during times of climate change and times of war, so that debt to companies in Indonesia does not worsen the country's economy.

2. LITERATURE REVIEW

The definition of financial risk is that additional risk for ordinary shareholders is the impact of the use of debt, which refers to the use of securities that provide fixed income (debt and preferred shares) (Brigham and Houston, 2002: 164). Financial risk is a company's ability to generate sufficient cash flow to make interest payments on financing or fulfill other debt-related obligations (Miftahurrohmah,

2022). Operating leverage decisions indicate investment decisions that use fixed operating costs by the company (Rao, 1995: 581).

Financial risk is the risk that arises as a result of a company using debt with a fixed interest charge to fund its company activities. Debt can make a company grow faster than relying solely on its capital. However, if the percentage value of debt is too significant from the value of capital, it will have a relatively higher debt financing impact. This makes it possible for the company to be unable to fulfill its financial obligations, makes the company's financial condition unhealthy, and will result in the company's value decreasing, thereby reducing the prosperity of shareowners.

Stewart (1997) defines intellectual capital as intellectual material, namely knowledge, information, intellectual property and experience that is used to create prosperity. Mouritsen (1998) defines intellectual capital as a technology management process that calculates a company's prospects. Intellectual capital is a type of knowledge activity, utilization of brain power, and fundamental or fundamental sources of company performance to achieve goals (Galbraith, JK, 1969).

Harrison, S. (2000) defines intellectual capital as saying that a company's success is influenced by the company's operational efforts to maximize organizational values such as increasing profits, consumer loyalty, acquiring innovations from other companies, reducing costs and improving productivity. Kooistra and Zijlstra (2001) define intellectual capital as formalized intellectual material obtained and utilized to produce higher assets. Intellectual capital is information and knowledge applied within a company to create value (Williams, 2001).

The company's market value is not only provided by fixed assets or shareholder equity but also by the intellectual capital owned and developed. This is explained in Figure 1 below:

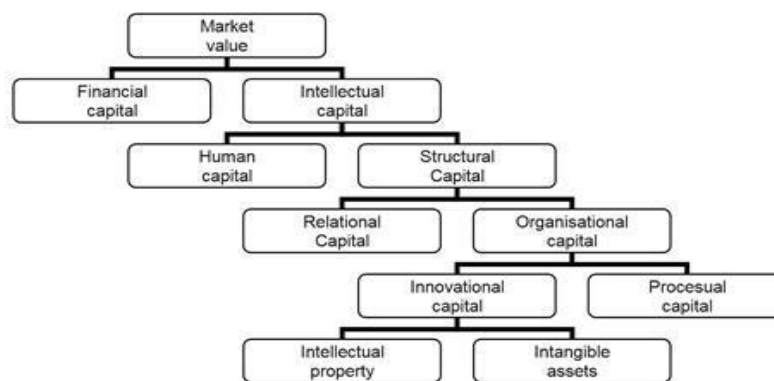


Figure 1. Leif Edvinsson model - intellectual capital structure in Skandia

Source: Bontis (2001)

Even though intellectual capital is not explicitly mentioned in accounting standards, new findings/phenomena of intellectual capital have emerged since the publication of PSAK No. 19, which was revised in 2010 concerning

intangible assets. The three main components contained in IC are human capital (HC), structural capital (SC) and relational capital (RC). Companies need help to measure intellectual

capital because intellectual capital is not an asset whose units can be seen and calculated.

Disclosure of the company's intellectual capital should be explained explicitly in its financial performance or annual report. Investors cannot assess a company directly based on the company's intellectual capital because intellectual capital is not an asset that can be measured with certainty through units or measuring instruments. Intellectual capital can only be revealed through assessment indicators such as human capital, structural capital and customer relationships. All of this can only be known by internal companies, while external companies and investors cannot see, let alone assess. So, a platform is needed to find this information, which can only be provided on financial performance.

Financial performance is the result that a company has achieved in carrying out activities by managing company assets effectively during a specific period (Wachowicz, 2005: 235). Financial performance is an indicator for evaluating a company's financial condition by measuring the company's ability to generate profits (Pang et al., 2020). Financial performance is essential for companies to know and evaluate the level of success based on the financial activities used for operations. The financial reports published each period reflect the company's financial performance.

3. METHODOLOGY

3.1 Research design

According to Blatter (2012), this research includes explanatory research. This research method aims to obtain a complete picture and obtain certainty or describe facts, describe relationships, explain the position of the variables studied, and evaluate the influence of one variable on another. Causality Research Design tests independent variables' influence, relationship or impact on the dependent variable (Chandrarin, 2021, p. 98).

3.2 Research Population and Sample

Population is a collection of elements with specific characteristics that can be used to make conclusions (Chandrarin: 2021:125). The population in this study is all manufacturing companies listed on the Indonesia Stock Exchange from 2019 to 2021. The total population in this study is 159 manufacturing companies listed on the Indonesia Stock Exchange. The selection of manufacturing companies in this research is (1) Manufacturing companies were chosen because the companies have sustainable production, so good capital and asset management are required and produce large profits to provide significant returns on investment so that they can attract investors to invest their capital (2) Manufacturing companies have diverse sectors and comprehensive coverage and have a larger scale so that they can be generalized and the tests can be compared between one company and another (3) Manufacturing companies have relatively stable financial ratios because they carry out continuous production.

3.3 Sample Selection Method

The sampling method uses sampling probability, which means the sampling method is not random or does not consider chance. The sample in this research utilized a purposive sampling method, namely a sampling method based on predetermined characteristics. The sample selection criteria are based on a.) Manufacturing companies registered on the Indonesia Stock Exchange from 2019 to 2021 publish annual reports every December 31 during the research period. b.) The manufacturing company did not experience delisting during the research period, namely 2019-2021. c.) The company does not have a negative equity balance.

3.4 Data Collection Procedures

This research data uses secondary data obtained from information in the annual reports of each manufacturing company on the Indonesian Stock Exchange during the research period. The data collection procedure starts with documentation, which is downloaded directly from the website of each manufacturing company from 2019 to 2021. They then determined the data according to the required variables and calculated it according to a specific formula (Chandrarin, 2021, p. 125).

3.5 Data analysis technique

This research uses Path Analysis. Chandrarin (2021:103) Path analysis is a technique that tests the direct or indirect influence (through intervening variables) of an independent variable on a specified dependent variable. Gujarati (1992:289-373) states that the conditions that must be met in path analysis to avoid bias regression coefficient estimation use the Ordinary Least Square (OLS) method.

The steps for path analysis are 1) Determining the elements of the path diagram, 2) Determining the relationship/influence of the dependent variable on the independent variable, 3) Testing two path diagram assumptions, namely the classic assumption test consisting of the Normality test, Multicollinearity test, Autocorrelation test, and Heteroskedasticity Test, 4) Develop a structural equation and then test it. This research uses two types of analysis, namely descriptive statistical analysis and inferential statistical analysis. Descriptive statistical analysis describes each independent, dependent, and mediating variable in more detail. This research data was collected, processed, analyzed, and interpreted starting from the average value, standard deviation, and minimum value. Then, it was tabulated in tables and discussed descriptively without providing conclusions.

4. RESEARCH RESULT

Manufacturing companies listed on the Indonesia Stock Exchange (BEI) for 2019 to 2021 constitute the population in this study. The annual financial report has been presented in detail and is the source of information used in this research. This research sample uses companies that have

not experienced delisting and do not have negative equity. The industrial scale taken in this research is based on BEI regulations before 2021 that there are three industrial sectors for manufacturing companies: the consumer goods industrial sector consists of 6 sectors industry consumer goods, elemental chemical industry sector, consisting of 8 industrial subsectors in the primary and chemical industry, and miscellaneous sectors industry consists of 6 sub-sectors of the consumer goods industry. The Consumer Goods Industry sector consists of 43 companies (32.8%) consisting of 6 sub-sectors, namely the food and beverage industry sub-sector with 21 companies (16%), the household equipment industry sub-sector with four companies (3.1%), the pharmaceutical industry sub-sector is eight companies (6.1%), the cigarette industry sub-sector is four companies (3.1%), the cosmetics and household goods industry sub-sector is five companies (3.8%). The industrial sub-sector was the other company (0.8%). Basic Industry and Chemical sectors, as many as 58 companies (44.3%),

The Basic Industries and Chemical sector is divided into eight sub-sectors, namely the chemical industry sub-sector with ten companies (7.6%), the plastic and packaging

industry sub-sector with 11 companies (8.4%), the pulp and paper industry sub-sector with seven companies (5.3%), the ceramic, glass and porcelain industry sub-sector is six companies (4.9%), the metal and similar industry sub-sector is 13 companies (9.9%), the animal feed industry sub-sector is four companies (3.1%), the cement industry sub-sector is five companies (3.8%), and the other industrial sub-sector is two companies (1.5%). The Miscellaneous Industry sector consists of 30 companies (22.9%) divided into six sub-sectors, namely the machinery and heavy equipment sub-sector with one company (0.8%), the footwear industry sub-sector with one company (0.8%), the automotive and components industry sub-sector is 12 companies (9.2%), the Textile and Garment industry sub-sector is nine companies (6.9%), the cable industry sub-sector is six companies (4.6%). The industrial sub-sector is electronics, which is as much as 1 (0.8%).

Descriptive statistical analysis was carried out to describe research data and provide a concise overview regarding the size of data concentration and the size of data distribution. The results of descriptive statistics can be seen in Table 1 as follows:

Table 1: Hajil Descriptive Statistics Test

$$NPit = \beta_0 + \beta_1 RKit + \beta_2 MIit + \beta_3 KKit$$

Variable	Mean	Std. Deviation	Minimum	Maximum
Intellectual Capital	0.97	0.99	0.00	8.23
Financial Risk	22.02	35.95	1.06	423.38
Financial performance	0.05	0.20	-0.40	3.58

Companies whose value is far below the book value of 0.19, and this happened to PT. Campina (CAMP). This shows that the company's shares could be more attractive to investors, reflected in its share price on the capital market at 19% of its book value. This was due to the decline in share prices, which increased the cost of goods sold in the form of advertising and promotion budgets using artist brand endorsers to increase brand awareness among millennials.

PT. Unilever (UNVR), in 2019, whose shares went viral with investors because they have a market price of 16.26 times or 162% of book value. This indicates that the company's shares have responded positively to investors in the capital market because they have performed well. Therefore, manufacturing company shares remain attractive as investment objects for investors in a lousy economy such as the COVID-19 pandemic period. They continue to innovate in all categories, so with maximum innovation, the company continues to increase.

Financial risk with an average value of 0.97 and a standard deviation of 0.99. This means that, in general, the debt of manufacturing companies listed on the capital market is 0.97 or 97% funded by debt. This indicates that the company's debt is relatively high, almost equivalent to the

high equity owned by the company.

PT. Star Petroleum (STAR) in 2020, although it has much less debt at 0.0035 times greater than equity or 0.35% of its equity value. However, during this period, the COVID-19 pandemic occurred, and the company continued to experience losses, which resulted in a decline in share prices on the capital market. It was proven that at the close of trading, there was a decline in the IHSG in 2020 at the level of 5,979 compared to the IHSG in 2019, which closed at the level of 6,299.

PT. KrakatoaStell Persero (KRAS) in 2019 had a much larger debt, 8.23 times or 823% of the company's equity value. This shows that companies with high DER provide unfavorable information to investors that the company is very dependent on debt to finance its development. A high DER will affect the company's performance and impact share prices because the higher the debt level, the higher the interest burden. Loss profit. PT. Krakatau Steel experienced losses from 2012 to 2019.

This loss occurred due to several reasons, namely high imports of iron and steel, sluggish sales of iron and steel products due to the increasing burden on the company, there was a corruption case in the procurement of goods and

equipment which was carried out by the director of Technology and Production of Krakatau Steel who was arrested for bribery.

Intellectual capital (VAICTM) obtained from the sum of employee capital (VACA), Human Capital (VAHU), and Capital Structure (STVA) has an average intellectual capital value of 22%. This indicates that the company's intellectual capital can create value by 22%.

VAHU had a relatively low value during the COVID-19 era due to the impact of the government's implementation of Community Activity Restrictions (PPKM) due to the increasing spread of the SARS-CoV-2 virus. The impact of this government policy is that companies can maximize the results of operational activities by adjusting the Work From Home (WFH) policy, which has an impact on reducing company performance. However, VAHU has an average value of 22%; this means that for every Rp. 1-employee costs incurred by the company, the company can create an added value of 22%.

Components in STVA, on average, companies make strategy changes by reducing the components of all expenses to reduce losses. STVA experienced a relatively significant decline because the Delta variant of COVID-19 caused the economy to experience a slowdown again, and companies changed their promotion and online shopping methods, which turned out to be increasingly popular with consumers. Social media is a new way to find product reviews from Key Opinion Leaders (KOL) on various social media platforms such as Instagram and TikTok. The contribution of effort that has been made to each unit of physical capital that works in forming the company's added value is 22%.

The average VACA has increased; this happened because the company made continuous efforts to improve its financial performance, as seen from the increase in sales. This increase in sales has a positive impact on increasing value added. The increase in sales was obtained through the implementation of the company's strategy, which continues to be implemented throughout the year by evaluating each achievement. Structural capital forms added value for the company at 22%. This indicates that the company's capital is relatively good.

Intellectual Capital PT. The 2021 Arowana Citra Mulia (ARNA) has a minimum score of 1.06. This means that the company has an intellectual capital of 1.06 or 106% of its capital. This happened because the company experienced difficulties in product distribution due to a lack of anticipation of various risks that emerged, such as the risk of fluctuations in commodity prices and exchange rates, especially the COVID-19 pandemic. Even though the company has had outstanding achievements internally by receiving several awards this year, this success is insufficient to anticipate external threats due to the pandemic, reflected in the decline in household consumption growth.

The maximum value of intellectual capital occurs at

PT. Alaska Industrindo (ALKA) in 2021 has an intellectual capital value of 423,386 in 2021, meaning that the intellectual capital owned by the company is 42,338.86 times the amount of capital it owns. This happened due to strengthening financial performance with an increase in sales performance by 70.1% from the previous year. This positively impacted the increase in value-added that year by 71.92%. The increase in sales was obtained through implementing the company's strategy, which was carried out throughout 2021 by evaluating each achievement.

The average value of financial performance is 0.05. Generally, the profit earned each period in manufacturing companies listed on the Indonesian capital market is 0.05 times greater than the total assets used to make profits. This indicates that manufacturing companies in the Indonesian capital market are relatively efficient and productive in using the world for profit.

However, the minimum value occurs at PT. The Indonesian Ceramics Association (KIAS) in 2019 had a profit value of -0.40, meaning the company experienced a loss. This indicates that the company is performing poorly because it is experiencing losses due to being less efficient and less productive in its use of assets. This loss was caused by global economic challenges throughout 2019, which were quite large with a slowing trend, worsening trade relations between the United States (US).

Several factors have impacted world trade volume and commodity demand, which stagnate as demand levels weaken. Market volatility and uncertainty, coupled with the COVID-19 pandemic, have caused a global health crisis that has severely impacted the economy. Companies that have company performance in a way that can utilize assets well, more effectively and productively to gain profits. This was due to increased sales driven by domestic sales growth thanks to various initiatives and innovations.

Financial performance with value maximum happened at PT. Unilever (UNVR) in 2019 had a financial performance score of 3.58, meaning that PT. Unilever (UNVR) in 2019 is increasingly able to utilize its assets well, more effectively and productively to gain profits of 358%. This was due to increased sales driven by domestic sales growth thanks to various initiatives and innovations.

4.1 DISCUSSION OF RESEARCH RESULTS

Financial risk is an additional cost arising from the manufacturing company's debt. This means that the capital of manufacturing companies in this study, on average, is funded from relatively high debt, so manufacturing companies experience a decrease in profits due to failing to achieve profit targets. The results of this research found that financial risk has a significant and negative effect on financial performance, meaning that if the company has more debt and management is unable to manage debt effectively and efficiently, the company will experience a decrease in profit

due to not achieving profit targets, thereby reducing financial performance.

Intellectual capital is all assets owned by a company in the form of tangible assets and intangible assets, including establishing communication relationships with suppliers that can contribute to the company's financial performance. The critical role of intellectual capital in improving financial performance is that companies can make efficient use of their intellectual capital. Intellectual capital is the efficiency of human resources and financial performance. Effectively managing intellectual capital can increase productivity, reputation, innovation and a better strategic position. Companies that maximize their intellectual capital can gain a competitive advantage and create value for shareholders, so intellectual capital is increasingly recognized as an essential strategic asset for a company's sustainable competitive advantage.

Financial performance is an indicator of company assessment. If the company has good financial performance, then management provides positive signals in the form of information about the company's performance to investors. Investors will respond positively to the information provided by the company. A company's financial performance can be used to measure the achievements achieved by an organization in a certain period, which reflects the level of success in implementing its activities. Financial performance can be used as a basis for determining company strategy for the future and provides direction in determining decisions about organizational activities. It can also be used as a basis for determining capital investment policies in order to increase company efficiency and productivity.

The results of this study found that financial risk hurts financial performance. Companies that use excessive debt will increase financial risk in the form of debt interest costs, which have an impact on increasing capital costs, thereby affecting a decrease in targeted profits and financial performance. In line with research by Roy and Bandopadhyay (2022); (McConnell, 1990); (Titman, 1994); (Booth et al., 2002); (Borhan et al., 2014); (Sunandes, 2015); (Kalas 2021); (Nazir et al., 2021); (Harmon et al., 2023). This happens because companies that have relatively high debt and cannot manage debt effectively and think efficiently the high debt will impact decreasing financial performance because the company bears relatively high-interest expenses.

Financial risk refers to the company's ability to manage debt; high financial risk causes the company to experience a possible reduction in its profit target, and it is possible that the company will not be able to fulfill its financial obligations because the profit obtained is not enough to pay debts. When the debt is too large, the burden of paying principal and interest on the loan will also become more outstanding. If debt cannot be managed effectively, excessive debt can cause the company to face financial pressure and lead to bankruptcy (Gusti & Sudiarta, 2016). Excessive debt,

followed by its uncontrolled use, is the main factor that makes companies vulnerable to economic turmoil. Likewise, companies with high levels of debt cause high burdens to be borne by the company, thus disrupting the achievement of profit targets, which are the result. High load.

Companies that can manage debt wisely are the key to ensuring the continuity of business operations and sustainable growth. From a liquidity perspective, a company with too much debt or one that cannot pay it back can cause financial performance not to be achieved as targeted, and suppliers will even become less trusting and reluctant to do business with the company in the future. This will experience changes in market conditions, such as economic changes and changes in demand for the company's products or services, which can affect the company's ability to pay for its forests.

Financial risk has a negative effect on the company's financial performance. This shows that agency problems can cause high debt policies to produce lower performance. The findings of this research provide evidence that the COVID-19 pandemic conditions reduce the achievement of financial performance targets. The increase in corporate debt and interest expenses impacts companies that do not manage the use of debt efficiently, so financial risks become a burden on the company, and the achievement of targeted profits decreases.

The relationship between bankruptcy risk and the use of debt is caused by a company's capital structure decisions (Brigham & Houston, 2006). This means that the higher a company's debt financing, the greater the risk of financial difficulties because it has to fulfill the obligation to pay much-fixed interest every year while its net income is uncertain. Financial performance is one of the fundamental aspects of assessing the company's condition. When investing, investors consider several things related to information that can be used for investment decisions, including the company's financial performance. A company's good or bad financial performance can be seen from its financial reports (Dramawan, 2015).

This interpretation can be linked to Signaling Theory, which describes business principles and operations in a financial context. Signaling Theory can answer the relationship between financial risk and financial performance. Management provides signals in the form of information to realize owners' interests by maximizing profits and providing information to potential investors about the company's prospects in good condition. The company must refrain from selling shares to meet operational needs and use debt exceeding the optimal capital structure target. Meanwhile, companies with less profitable prospects tend to sell shares (Brigham & Houston, 2002), (Azeria et al., 2017). This shows that manufacturing companies during the pandemic, on average, showed high levels of capital loans and had a high financial risk impact.

This research found that Intellectual Capital significantly and positively affects a company's financial performance. This research is in line with research by Mavridis (2004), Chen et al. (2005), Sumedrea (2013), Shakina et al. (2017), Grimaldi & Cricelli (2009), Weqar et al. (2020), who found that intellectual capital has a positive relationship with financial performance. This is because intellectual capital contributes to company performance. The critical role of intellectual capital in improving financial performance is that the company can make efficient use of its intellectual capital, and its market value will increase, so the company's performance will also increase.

Intellectual capital is the efficiency of human resources and financial performance. Intellectual capital is increasingly recognized as an important strategic asset for a company's sustainable competitive advantage (Madinetos et al., 2011); (Ovechkin et al., 2021). Intellectual capital, which consists of all the company's resources in tangible assets and resource capabilities, is vital in creating sustainable competitive advantage, encouraging innovation and realizing long-term value (de Frutos-Belizón et al., 2019). (Stewart, 1997); (Sveiby, 1997); (Saint-Onge, 1996); and (Bontis, 2000). Intellectual capital, divided into three components, has meaning: first, human capital as a source of beneficial knowledge, skills and competencies in a company (VAHU - value-added human capital). Human capital will increase if the company can use the knowledge it has. Second, structural capital is the ability of an organization or company to fulfill routine company processes and structures that support employee efforts to produce optimal intellectual performance and overall business performance (STVA – structural capital value added). Third, capital is a component of intellectual capital that provides real value (VACA – value-added capital employed). Harmonizing the three components of the intellectual capital owned by the company will improve the company's financial performance.

Effective intellectual capital management can increase productivity, reputation, innovation and a better strategic position, so companies that utilize their intellectual capital optimally can gain competitive advantage and create value for shareholders. The research results of Weqar et al. (2020) found that intellectual capital efficiency is substantially and positively related to the financial performance of Indian companies as measured by return on assets (ROA), market-to-book ratio (MB) and return on equity (ROE). A potential strategy to improve company performance is combining tangible and intangible assets that can have a competitive advantage by creating various business opportunities, unique resources, and resources that can be utilized optimally to create profits for the company (Riahi-Belkaoui, 2003).

Optimal use of intellectual capital impacts increasing financial performance by increasing income without proportionally increasing expenses and costs or reducing the company's operating expenses. Effective and efficient use of

intellectual capital will contribute significantly to achieving competitive advantage and will be reflected in good company performance. If the company manages intellectual capital well, it can improve company performance.

Resource-based Theory's view on Resource-based Value (RBV) regarding intellectual capital positively influences company performance. Qiao et al.'s (2023) view of intellectual capital prioritizes creating and applying knowledge in organizations. From a Knowledge-Based Value (KBV) perspective, intellectual capital is an information asset owned by a company, and its effective management and use are the key to increasing a company's value and market position.

In the context of Resource-Based Value (RBV) theory, the interpretation of the results of this research can be understood as follows: RBV emphasizes that a company's competitive advantage depends on the unique and valuable resources the company has. Intellectual capital, which includes knowledge, expertise and information owned by a company, is one of the strategic resources. Companies that manage and utilize intellectual capital effectively, such as through innovation, organizational learning, and knowledge management, tend to have better financial performance.

Resource-Based Value (RBV) carries out designs that are challenging to imitate or replace, providing a sustainable competitive advantage. Companies with solid intellectual capital tend to be more flexible and quickly adapt to environmental changes to maintain stable or increasing financial performance. Overall, within the RBV framework, intellectual capital is seen as an essential asset that significantly contributes to a company's financial performance by creating and maintaining a competitive advantage.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

Based on the results of the analysis and discussion, financial risk is an additional cost arising from manufacturing company debt. This means that the capital of manufacturing companies in this study, on average, is funded from relatively high debt, so manufacturing companies experience a decrease in profits due to failing to achieve profit targets. Debt allows companies to respond to changes in market demand or business opportunities more quickly. Companies with relatively high debt cause companies to be more creative and innovative in carrying out company operational activities, leading to efficiency.

Intellectual capital is all assets owned by a company in the form of tangible assets and intangible assets, including establishing communication relationships with suppliers that can contribute to the company's financial performance. The critical role of intellectual capital in improving financial performance is that companies can make efficient use of their intellectual capital.

The company's financial performance is good, so management provides positive signals in the form of information about the company's performance to investors. Investors will respond positively to the information provided by the company. Intellectual capital significantly and positively affects a company's financial performance. Intellectual capital efficiency is substantially and positively related to a company's financial performance. The critical role of intellectual capital in improving the company's financial performance is that by being able to invest in the use of intellectual capital, the company's performance will increase. Intellectual capital, human resource efficiency, and financial performance are increasingly important strategic assets for a company's sustainable competitive advantage.

Suggestions that researchers can give in the future are to enrich the development of knowledge in the field of accounting, especially those related to the influence of financial risk and intellectual capital on financial performance and company value. Researchers can continue or develop this research by adding variables influencing financial performance and company value, such as capital structure variables, debt to total assets, management ownership, institutional ownership, company age, sales growth, liquidity and asset turnover. The company has good financial performance, so management provides positive signals in the form of information about the company's performance to investors. Investors will respond positively to the information provided by the company.

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