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Implications of Intellectual Capital Financial Performance and Corporate Values (Studies on Goods and Consumption Sector 2013-2017 period)

Neneng Susanti,[1] Vincentia Wahju Widajatun[2,] Muhammad Bayu Aji[3], Nugi Mohammad Nugraha[4]

Abstract: *This research is conducted considering that intellectual capital is an important resource that is used to create added value for companies in the era of knowledge-based business. This research was conducted in the goods and consumption sector in the period 2013-2017 Because The goods and consumption sector companies had the highest investment rates Compared to other industrial sectors. The purpose of this study was to Determine the effect of intellectual capital on firm value, to Determine the effect of intellectual capital on financial performance, and to Determine the effect of financial performance on firm value. This type of research is an explanatory study with a quantitative approach, using the Partial Least Square (PLS) method with a Smart PLS 3.0 application. The results of this study indicate that there is no significant positive effect between intellectual capital on firm value. In addition, this study shows that intellectual capital has a significant effect on financial performance and financial performance has an effect on firm value. This study shows that the value of companies in the goods and consumption sector is influenced by intellectual capital.*

KeyWords: *Intellectual Capital, Financial Performance, and Corporate Value.*

I. PRELIMINARY

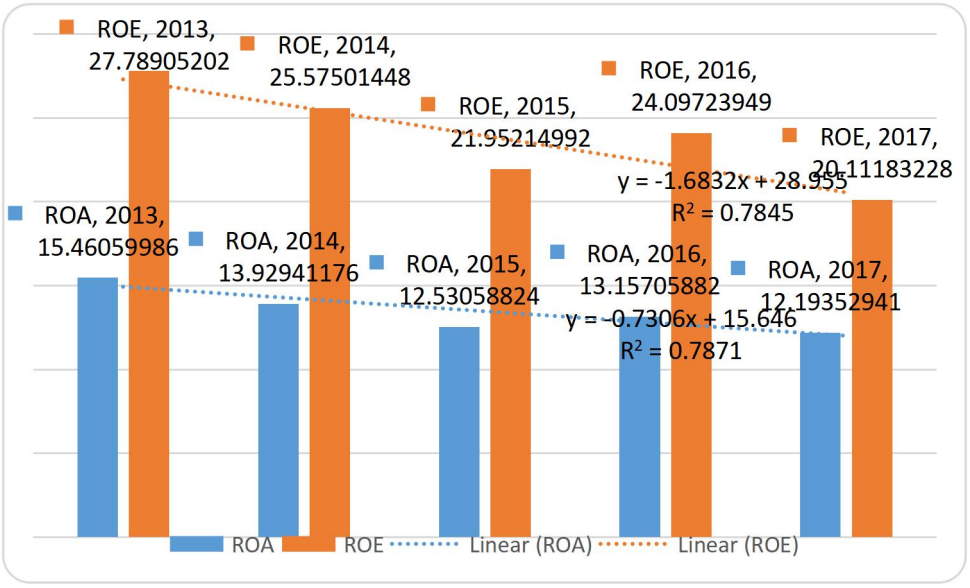
A company's performance is something that is produced by a company in a given period with reference to the prescribed standards. To achieve its goals, the company is required to utilize and improve the quality of the company's resources. Intellectual Capital (IC) is the knowledge that the key to success in competition between enterprises. Companies must have added value that will make the company become more superior than any other company. The fact that success in business is supported by knowledge-based technology.

Intellectual Capital (IC) is the knowledge and information that can create value-added efficiency to generate wealth for the company TAStewart (1997). IC is defined as yanag knowledge can be converted into the company's value Edvinsson & Malone(1997). With increasing corporate value through increased IC then it is likely to produce great wealth will. Intellectual property is purely intangible assets because it does not contain any financial value. Many experts have discovered the basis of IC 3 as Human Capital, Structural Capital and Relational Capital (Holton, E. F. and Yamkovenko, 2008; Yang and Lin, 2009; Mavridis and Kyrmizoglou, 2005; Tayles et al., 2007). IC rated as Human capital (skills),

Intellectual capital can have an effect in improving the company's financial performance and corporate value (Chen et al., 2005). Intellectual capital in this study as independent variables to be measured using the VAIC (VACA, VAHU, STVA) (Pulicand Bornemann, M.and Leitner, K.H, 1999) for VAIC method using data easily obtained from the figures the company's

[1] Faculty of Business and Management
Widyatama University
neneng. susanti@widyatama.ac.id

financial statements. In conditions of the global economy is characterized by the implementation of the technology, the company faced with the challenge of technological change and increased global business environment. To adapt to the changing environment, need competent human resources, the knowledge-based control more than skill. In this condition needs to intellectual asset management in order to improve the competitiveness of enterprises.



graph 1.1

Average Profitability On Goods and Consumption Sector Period 2013-2017

Based on the chart 1.1 on the profitability and consumer goods sectors as indicated by ROA and ROE decreased every year. Profitability ratios used in this study consisted of ROE (Return On Equity) is the ratio that describes the amount of return on capital to generate profits, and ROA (Return on Assets) is the ratio that indicates the ability of all existing assets and used to generate profits.

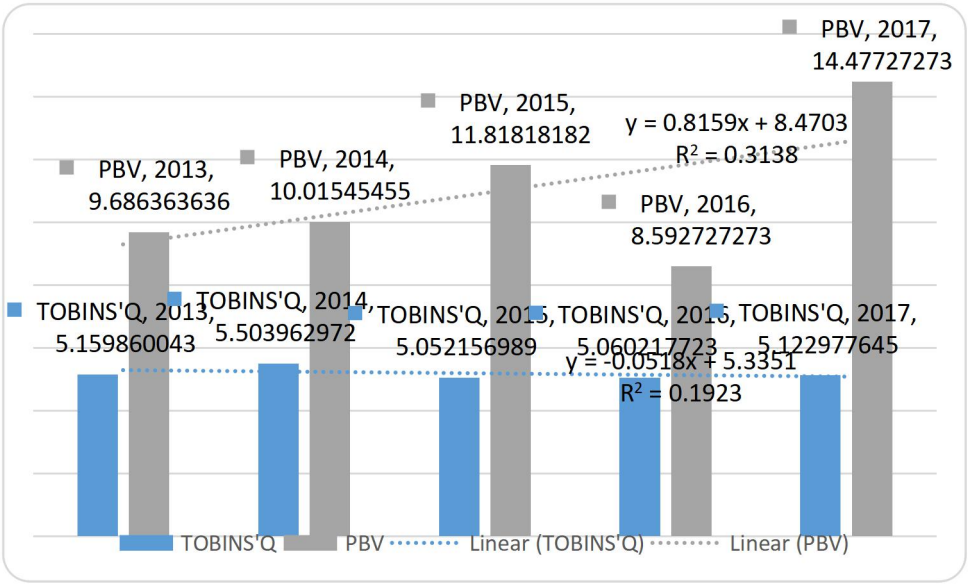


chart 1.2

The average value of the Company's Goods and Consumption Sector

Period 2013-2017

Based on the chart 1.2 enterprise value as indicated by Tobins'Q decreased, and the value of the company as indicated by PBV increase. The value of a company is determined by the success or failure of the management company to manage the assets to generate earnings. For a manager of corporate value is a measure of the achievements already accomplished work. Indirectly, the manager has been able to increase the prosperity of the shareholders is the company's goals. Increasing the value of the company will create investor confidence that the investment in the company was profitable. If an investor already has a good view on the company, investors will be interested in investing,

Firer research and Stainbank (2003) in South Africa on 65 public companies to test the effect of intellectual capital on profitability, productivity and market valuation showed that the VAIC ™ has contributed to predict the profitability and productivity of the company, but were unable to predict the market assessment. In penelitiannnya Intellectual capital has a significant influence on the profitability of the company (significant positive), and productivity (negative significant) but does not have a significant effect on the assessment of the market. The same study also conducted by Chen et al. (2005) in Taiwan and Tan et al. (2007) on the Singapore stock exchange which resulted in the finding that the intellectual capital significantly influences the company's performance. Belkaoui (2003), Chen et al. (2005).

II. LITERATURE REVIEW

Intellectual Capital

Roos et al (1997) stated that intellectual capital includes all processes and become intangible asset in the balance sheet include trademarks, patents and brands. Brooking (1996) defines intellectual capital as the combination of intangible assets includes the market, intellectual property, human resources, and infrastructure to function within the company. Meanwhile Stewart (1997) defines intellectual capital as all the knowledge that is intellect, all the information and experience that companies use to create wealth. Of all these definitions, intellectual capital can be regarded as an intangible asset that is owned and used by companies to generate benefits and improve well-being.

Intellectual capital, according to some researchers consists of three main parts consisting of human capital, structural capital and customer capital. Human capital stock represents the individual knowledge of an organization which is reflected by its employees (Bontis, et al 2001). Human capital is a combination of genetic inheritance, education, experience, and attitude about life and business (Hudson, 1993). Structural capital includes all non-human storehouses of knowledge within the organization, including databases, organizational charts, process manuals, strategies routines and all the things that make the value of the company is greater than the book value. Customer capital is the knowledge inherent in the marketing channels and customer relationship developed organizations through its business activities.

The value of the company

In the financial decisions, financial managers need to set goals to be achieved. The right financial decisions to maximize the value of the company so as to increase the prosperity of the owner of the company. The value of the company itself is the price paid by the prospective buyer is willing perusaahaan when they are sold. According to Fama (1978), the value of the company can be seen from the share price. The stock price is formed on the demand and supply of investors, so that the stock price can be used as a proxy for the value of the company. According to Jensen (2001), to maximize corporate value not only equity values are considered, but the sources of finance such as debt and Its preferred shares. General Secaca investors assess high profit shows good prospects in the future.

The value of a company associated with the stock price is investors' perception of the level of success of a company. a company's stock price high impact on the value of the company is high. High enterprise value will give the market confidence, not just the company's performance in the present but in the future prospects of the company. Measuring the value of the company by using Price Book Value (PBV) and Tobin's Q.

PBV formulated as follows:

$$\boldsymbol{PBV = \frac{Price\ per\ Share}{Book\ Value\ per\ Share}}$$

Tobin's Q is defined as follows:

$$\boldsymbol{Tobins' q = \frac{(MVE + D)}{TA}}$$

Financial performance

The financial performance is the determination of certain sizes that can measure the success of a company in generating profits. Measurement of financial performance may be affected by the company's ability to make a sale. The company can increase sales and profits by creating an interactive communication and reassure consumers. The successful achievement of corporate objectives can be measured using profitability ratios. The company's ability to generate earnings in operating activities was a major focus in the assessment of the company's achievements. Gain an indicator of a company's ability to meet obligations to creditors and investors, as well as a part in the process of value creation associated with the company's prospects in the future. Company profitability ratio is the ratio as measured by the ratio between income after taxes by total assets of the company. Profitability is an important measure to evaluate the company affect an investor to make a decision.

Return on Asset

According Frianto (2012; 71) the level of profitability with ROA approach aims to show the level of efficiency pengeloilaan assets made by the bank concerned. ROA is the ratio between profit before tax to total assets. Bank Indonesia as the monetary authority set a ROA of 1.5%, so it could be said in good health. This ratio can be formulated as follows (Circular Letter No. 3 / 30DPNP dated 14 December 2001): 26

$$\text{ROA} = (LabaSebelumPajak\ /\ TotalAssets) \times 100\%$$

The greater the value of ROA shows that the better financial performance because the rate of return increases. Increased ROA shows that the higher bank profitability.

Return On Equity

According Harahap (2007: 156) ROE is used to measure the return on shareholders' investments. The figure shows how well management utilizing shareholders' investments. The level of ROE has a positive relationship with stock prices, so the larger the ROE, the greater the market price, because of the ROE gives an indication that the returns will be accepted investors will be high so that investors will be interested to buy the shares, and it causes the price of the stock market tends ride.

According to Lestari and Sugiharto (2007: 196) ROE is the ratio used to measure the net profit earned from the management of the capital invested by the owner of the company. ROE is measured by the ratio between net income by total capital. Figures higher ROE gives an indication to the shareholders that the rate of return on investment is higher. According to Lestari and Sugiharto (2007: 196) ROE figures can be quite good if> 12%. This ratio can be formulated as follows:

Return on Equity = (Profit After Tax / Total Capital) x 100%

Research methods

Data analysis techniques used to discuss the problem in this research is Structural Equation Model (SEM). Structural Equation Modeling or Structural Equation Model (SEM) is statistical techniques that allow testing of a relatively complex set of relationships that simultaneously (Ghozali, 2008). Diagram pathway aims to determine the effect of independent variables on the dependent variable using intermediate variables. Path diagram presents explicit causal relationships between variables based on the theory (Hardini, 2019).

The complex relationship can be established between one or more dependent variables with one or more independent variables. There may also be a variable that play a multiple role as an independent variable in a relationship, but it becomes a dependent variable on another relationship in light of causality tiered.

Methods of data collection in this study is to gather secondary data, that is data of the company's financial ratios contained in the goods sector and consumption in the period 2013-2017. The samples used were 16 companies. There are three variables used are: Intellectual Capital as the dependent variable, and ROA, ROE, and PBV Tobins'q as an independent variable.

Data analysis technique

After collecting the data, the data must be processed and analyzed in advance so that it can be used as a basis for decision making. This research used Structural Equation Modeling (SEM) using a path diagram. SEM analysis used is Partial Least Square (PLS) with assisted calculation process SmartPLS 3.0 software application program. PLS is a powerful analytical method because it can be applied at all scales of the data, does not require a lot of assumptions and the sample size should not be large. PLS than can be used as a confirmation of the theory can also be used to build a relationship that no foundation for testing terorinya or proposition. PLS also can be used for structural modeling with an indicator reflective or formative (Nyoman and Sumertajaya, 2008).

Construction Path Diagram

Diagram Path aims to ease in viewing the causal relationship between exogenous and endogenous, where the concept is visualized in the image so that it is easier to understand. Picture boxy show empirical indicators, while the round-shaped image is a latent variable that consists of endogenous and exogenous variables.

Outer Evaluation Model

Outer model or models of measurement is the measurement models used to test the construct validity and reliability of the instrument. Validity test is done to determine the ability of the instrument to measure what it is supposed to measure. While the reliability test is used to measure the consistency of the measuring instrument in measuring a concept or can also be used to measure the consistency of the respondents in answering the questions in the questionnaire item or research instruments.

Validity test

Validity consists of external validity and internal validity. External validity indicates that the results of a study is valid that can be generalized to all objects, situations and at different times. Internal validity study demonstrated the ability of the instrument to measure what should be measured from a concept. Internal validity consists of qualitative validity and construct validity. The validity of qualitative consists of face validity (face validity) and content validity (content validity). The validity of the contents shows the ability of the items in the instrument representing the concept being measured. Validity look shows that the items measure a concept that looks like a measure of the appearance of the concept (Hussain et al., 2019).

discriminant validity

Discriminant validity in relation to the principle that gauges the different constructs should not correlate with height. Discriminant validity occurs when two different instruments that measure constructs predicted two uncorrelated produce scores that are not correlated. Discriminant validity test loading assessed based cross correlation measurements between the construct with other constructs in the model. Models have sufficient discriminant validity if the root of AVE for each construct is greater than the correlation between the construct with other constructs in the model.

test Reliability

Reliability show insurance, consistency and accuracy of a measuring instrument performing measurements. Test reliability in PLS can use two methods, the Cronbach's alpha and composite reliability. Cronbach's alpha measures the lower limit value of the reliability of a construct. Composite reliability while measuring the actual value of the reliability of a construct. However, Composite reliability rated better in estimating the internal consistency of a construct. Rule of thumb or Composite reliability alpha value should be greater than 0.7 even if the value of 0.6 is acceptable. However, the real test of

internal consistency is not an absolute thing to do if the construct validity has been met, as is a valid construct reliable constructs, constructs a reliable reverse is not necessarily valid (Hussian et al., 2019).

Inner Evaluation Model

Structural model in PLS evaluated using to construct the dependent, the coefficient of the path or t-values per path for test of significance between the constructs in the structural model. R2 value is used to measure the degree of variation changes in the independent variable on the dependent variable. The higher the value means the better the prediction model of the proposed research model.$R^2 R^2$

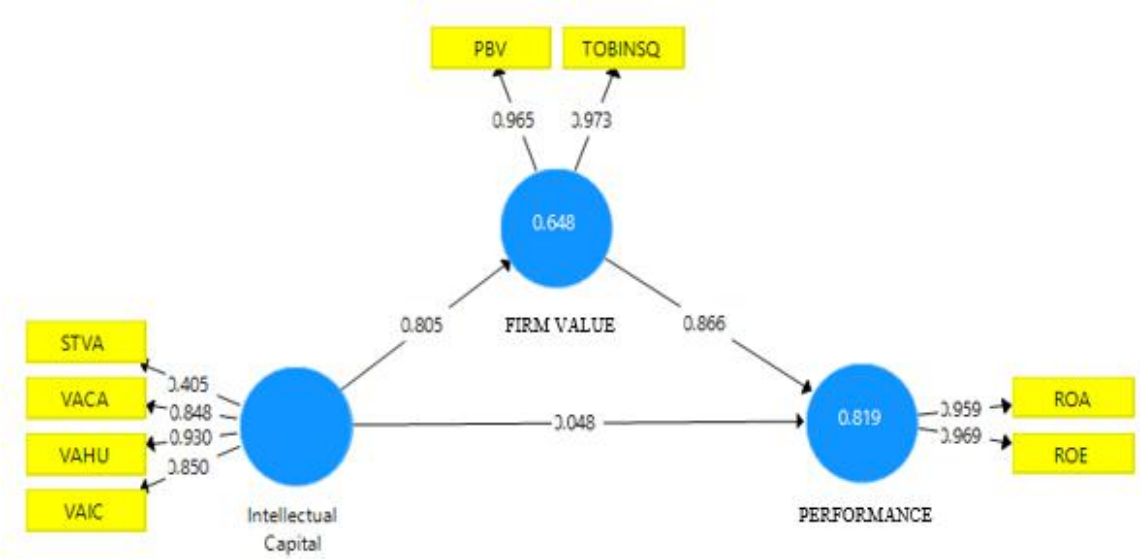
Or inner path coefficient value models indicate the level of significance in hypothesis testing. Score inner path coefficients or models exhibited by the T-statistic, must be above 1.96 for a two-tailed hypothesis (two-tailed) and above 1.64 for the hypothesis of the tail (one-tailed) to test the hypothesis on alpha 5 percent and 80 percent power.

III. RESULTS AND DISCUSSION

RESULTS

Analysis of Partial Least Square

In this study to test the hypothesis analysis was used Partial Least Square (PLS) with 3.0 SmartPLS program. Here is a picture of PLS models were tested:



Source: Output SmartPLS 3.0

Picture 1

Outer Model

Outer Evaluation Model

On the outer evaluation model of testing construct validity and reliability in research.

Validity test

Test the validity of which will be composed of convergent validity and discriminant validity. The results of each test are described below. Convergent Validity convergent validity tests conducted by looking at the value of the loading factor. An indicator is said to meet the convergent validity if it has a value outerloading> 0.7.

table 1

Loading Factor

	Intellectual Capital	Kinerja Perusahaan	Nilai Perusahaan
PBV			0.965
ROA		0.959	
ROE		0.969	
STVA	0.405		
TOBINSQ			0.973
VACA	0.848		
VAHU	0.930		
VAIC	0.850		

Source: Output SmartPLS 3.0

Based on Table 1 outerloading the known value of each indicator in variable dimensions Intellectual Capital, Corporate Performance, and Value> 0.7. This means that the indicators used in this study has met the convergent validity, so that all indicators can be used for further analysis.

Validity Discriminat

Discriminant validity testing is done by looking at the value of cross loading. An indicator is said to meet the discriminant validity if the value of cross loading indicator on the dimension / variable is the largest compared to the dimensions / other variables.

According to the analysis obtained known each indicator on the variable dimension of service features, consumer confidence and buying interest has a value of cross loading the establishment of the greatest dimension than other padadimensi. It can thus be said to be the indicators used in this study has had a good validity discriminat in preparing the respective dimensions.

table 2

Validity Discriminat

	Intellectual Capital	Kinerja Perusahaan	Nilai Perusahaan
Intellectual Capital	0.786		
Kinerja Perusahaan	0.745	0.964	
Nilai Perusahaan	0.805	0.905	0.969

Source: Output SmartPLS 3.0

Rated cross loading showed a good discriminant validity, where cross loading on konstruknya larger than the other constructs to the overall value was above 0.50.

test Reliability

table 3

composite Reliability

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Intellectual Capital	0.794	0.868	0.858	0.618
Nilai Perusahaan	0.935	0.946	0.968	0.939
Profitabilitas	0.924	0.936	0.963	0.929

Source: Output SmartPLS 3.0

The construct has a good reliability when memeiliki score cronbanch alpha above 0.60, the value of composite reliability is above 0.80 and AVE values above 0.50. Based on Figure 3 can be explained that all constructs had good reliability.

Test Goodness-Of-Fit

Based on data processing with PLS, R-square value produced as follows:

table 4
Rated R-Square

	R Square	R Square Adjusted
Kinerja Perusahaan	0.819	0.813
Nilai Perusahaan	0.648	0.641

Source: Output SmartPLS 3.0

Based on Table 4 known value of R-Square for Corporate Performance at 0.819 and R-square for Company Value at 0.648. The higher the R-square value, the greater the ability of the independent variables can explain the dependent variable so that the better the structural equation.

Hypothesis testing

From the analysis of the indicators that make up the construct of Intellectual Capital (), Corporate Performance () and Value () indicate that significant to t value where> 1.96 with a p value <0.05. In addition, each variable loading factor> 0.50 meaning it has qualified convergent validity.$x_1 Y_1 Y_2$

table 5
Influence Coefficients and t-statistic

	Original Sample ...	Sample Mean ...	Standard Deviatio...	T Statistics (...	P Values
Intellectual Capital -> Kinerja Perusahaan	0.048	0.118	0.170	0.281	0.779
Intellectual Capital -> Nilai Perusahaan	0.805	0.806	0.056	14.327	0.000
Nilai Perusahaan -> Kinerja Perusahaan	0.866	0.814	0.151	5.724	0.000

Source: Output SmartPLS 3.0

based on Table5 it can be concluded Intellectual Capital and Corporate Performance produces t-statistic of 0.281 <1.96. Intellectual Capital can be concluded no significant effect on the Company's Performance.

Effect of Intellectual Capital on Firm Value produce t-statistic of 14.327> 1.96. Intellectual Capital can be concluded significant effect on the value of the Company.

Influence on Performance Company Value Company produces t-statistic of 5.724> 1.96. Corporate Values can be concluded significant effect on the Company's performance.

IV. DISCUSSION

Intellectual Capital and Corporate Performance

In this study, proving that the Intellectual Capital no significant effect on the Company's Performance. It is also the same as the opinion of intellectual capital showed that the overall effect on the ROA and ROE(Karimah 2016).The better the value and use of intellectual capital will further enhance the company's performance.

Different studies conducted by Zuliyati (2011) showed that intellectual capital positively affects the profitability of the company. Therefore, if the company can manage and develop Intellectual Capital well, it will improve the financial performance of the company. These conditions will result in a competitive advantage for the company.

Fajarini and Firmansyah (2012), proving that the Intellectual capital positive effect on ROE. The higher the IC, the ROE increased.

Intellectual Capital and Corporate Values

In this study, proving that the Intellectual Capital significantly influence the value of the Company. It is also equal to the opinion of Randa and Solon (2012), who found a positive effect of intellectual capital on firm value.

However, this result is not consistent with the results of research Rousilita Suhendah (2007) and Soelistijono Boedi (2008) in Lestari and Sugiharto (2016) which found no effect of intellectual capital on firm value. This can be explained that investors are less expensive intellectual capital in assessing or measuring the performance of the company, more investors may involve other factors in measuring the value of the company as the company's stock price.

Company value to the Company's Performance

In this study, proving that the company value significantly influenced the Company's performance. It is also the same as the opinion of the Putri an Dewi (2019) show a direct effect of the financial performance.The good value for the company's financial performance to increase the value of the company. Financial performance value formed from the ROE does not have a significant impact on the value of the company formed by Tobin's Q. This can occur because the ROE is not the only indicator that is considered by investors in making investment decisions. And the results of this study support the research conducted by Kusuma et al (2013) in the manufacturing sector shows that the better financial performance,

The results of this study are not in line with research conducted by Gamalasari (2012) showed that Tobin's Q has no significant effect on ROE. Research conducted on the companies listed on the index SRIKEHATI indicating that investors still want to invest in the company even though the value of ROE decreased. It shows that investors do not only see information about the profit in making investment decisions, but also consider other information ..

V. CONCLUSION

1. Based on the results of testing on the first hypothesis can be seen that the IC has no significant effect on the financial performance. The path coefficients positive value indicates that the IC influence on the financial performance has a direct relationship direction. The higher IC of the company, the higher the company's financial performance, and vice versa.
2. Based on the results of testing on the second hypothesis can be seen that the IC has a significant positive effect on firm value. The path coefficients positive value indicates that the effect of IC on the value of the direction perusahaanmemiliki direction. The higher IC a company then the company's value will increase. This result indicates that investors give high ratings to companies that have a high IC.
3. Based on the results of testing on the third hypothesis can be seen that the financial performance significantly influence the value of the company. Values are positive path coefficients indicate that the influence of the financial performance of the company's value has a direct way. The higher performance of keuanganakan enhance shareholder value. These results indicate that the financial performance indicators established by the Return On Equity (ROE) effect on the value of the company formed by the indicator of Tobin's Q.

SUGGESTION

1. For the management of the Company

Management of the company in an effort to improve the performance and value of the company is expected to pay more attention to the IC. The results showed that the company has not maintained its IC effectively and efficiently. This study shows that investors will give a high evaluation of the company that has a good IC. Companies that are able to manage IC well then able to manage assets more effectively and efficiently so that the company was able to improve its performance to the maximum.

2. for Investor

Investors may pay attention to the IC in making investment decisions. Companies that have a good IC has good business prospects and able to look after the welfare of stakeholders. Investors can view the company's financial performance through the company's IC. Companies with a good IC can manage all assets owned by efficiently so that the performance of the company will increase.

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