

The Effect Of *Intellectual Capital* On Financial Performance With *Financial Distress* As A Moderation Variable

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ABSTRACT

Increasing the performance company is the objective main for the company For attract investors. Financial performance can be used by management to make decisions. Financial performance information is very important for investors as a tool for choosing investments. The company's financial performance shows its ability to use the existing resources of the company as well as possible in order to generate profit or income. The objective of the study is To know the influence of intellectual capital, sales growth, and leverage on performance finances, and know is financial distress can moderate the relationship between independent and dependent variables. Population in study This is a company registered manufactures _ in the Indonesian Sharia Stock Index (ISSI) and obtained a sample of as many as 20 companies. Study This using multiple linear regression techniques and Moderating Regression Analysis (MRA) with application eviews. Research results This shows that influential intellectual capital has a positive significance on performance finance, sales growth No influence on performance finance, leverage significant negative effect on performance finance, financial distress capable moderate influence on intellectual capital to performance finance, financial distress No capable moderate influence sales growth to performance finance, financial distress No capable moderate influence leverage to performance finance.

Keywords: *Intellectual Capital, Financial Performance, Financial Distress.*

INTRODUCTION

Economic conditions in the era of globalization that continue to change can affect company activities and performance. A company will experience losses, especially in financial conditions, if the company cannot overcome competition, which can trigger bankruptcy. Indonesia has entered the free market since 2015, which requires companies to increase competition so that the company's products are better and more attractive. The manufacturing sector is still the largest contributor to the national and international economy, through the absorption of local labor, an increase in the added value of domestic standard materials, as well as foreign exchange earnings originating from exports carried out by large-scale industry (Wulandari & Fitria, 2019).

In Indonesia, there is a phenomenon where several companies have been delisted from the stock exchange list. Delisting is the removal of company shares carried out by the stock exchange. In 2017, 8 companies were delisted, in 2018 there were 4 companies, in 2019 there were 6 companies, then in 2020 there were 6 companies. Delisting occurs when shares experience a decline and fail to meet minimum financial standards so that they cannot meet the requirements set by the stock exchange so that the company can be excluded or removed from the list of public companies. Companies whose shares are delisted can no longer be traded on the capital market (Syuhada et al., 2020). In recent

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years, companies have always been delisted because they stopped operating and went bankrupt, so the company was deemed to no longer meet the criteria.

In data from manufacturing companies in Indonesia, there are several continuous declines in performance. The decline occurred in 2015 by 20.99%, in 2016 it fell to 20.51%, in 2017 it fell to 20.16%, then in 2018 it fell again to 19.66%. A continuous decline in company performance will affect the company's financial condition, leading to financial problems. A company can experience continuous losses if the company continues to experience a decline in company performance (Sutra & Mais, 2019).

Based on this data, it can be seen that companies can experience continuous losses due to financial difficulties. Because of this, the company will lose the trust of investors and other external parties. Considering the many negative impacts of this condition, companies need to prevent and anticipate companies from financial difficulties. Companies can use systems that can provide warnings about the company's financial condition, so that managers can overcome the company's financial problems by taking various actions (Sandi & Amanah, 2019).

LITERATURE REVIEW

Intellectual Capital

Intellectual capital is used as the first variable in this research. Intellectual is the knowledge or intelligence of company employees that is intangible (not physically tangible) and can provide added value to the company. Intellectual capital is a source of knowledge and information that can be applied to company performance (Erfani & Nena, 2022). Intellectual capital is a key factor for a company's global competitiveness. Intellectual capital is still largely unknown in Indonesia. In many cases, Indonesian companies tend to build their business on a traditional basis. In conventional management, the achievement of an organization's vision and mission as a wealth-generating institution can only be measured by financial measures based on final results obtained from financial reporting, especially historical financial records, balance sheets and profit and loss reports which will be the result of budget realization that reflects the corporate governance process (Alviani & Purnamasari, 2011).

Research on intellectual capital on ROA conducted by Sulistiani (2018) stated that intellectual capital has a positive impact on financial performance. So it can be said, good management of assets and intellectual capital will determine the value of company performance. The results of this research are different from previous research by Alviani & Purnamasari (2011) which revealed that measuring intellectual capital from a customer perspective has no visible impact on company performance.

According to Public (1998) *intellectual capital* can be measured using the formula $VAIC^{TM} = VACA + VAHU + STVA$

a) Value added capital coefficient (VACA)

$$VACA = VA/CA$$

VA is calculated as the difference between output and input

$$VA = OUT - IN$$

Where:

OUT = output: total sales and other income

IN = input: selling expenses and other costs (other than employee expenses)

b) Calculating Value Added Capital Employed (VACA)

$$VACA = \frac{VA}{CE}$$

Information:

VA = Value Added

CE = Available funds (equity, net profit)

c) Calculating Value Added Human Capital (VAHU)

$$VAHU = \frac{VA}{HC}$$

Information:

VA = Value Added

HC = Labor load

d) Calculating Structural Capital Value Added (STVA)

$$STVA = \frac{SC}{VA}$$

Structural Capital (SC) = VA-HC

Company performance

Fahmi (2012) states that financial performance is an analysis carried out to see how effective a company's achievement is by using correct and appropriate financial performance rules. One of the factors that must be considered by the company is the level of profitability because it can reflect the interests of various parties, especially creditors and investors. A company is considered profitable if it has proven capabilities to produce an optimal level of profitability (Fahmi, 2014).

Stakeholder decision making requires performance measurement. In this research, we evaluate financial performance from a profitability perspective using ROA. ROA is a ratio used to see a company's ability to generate profits from all the assets it owns after adjusting for the reasonable cost of those assets. The asset turnover ratio (ATO) is a tool to measure the efficiency of total assets used to generate income. If the company can utilize its assets well, it can increase the company's profitability value (Nikmah & Apriyanti, 2019). Company performance can be measured with ROA

$$ROA = \frac{\text{Laba Bersih Setelah Pajak}}{\text{Total Aset}}$$

Financial Distress

Financial distress is a period of decline in which a company faces financial difficulties before going bankrupt. One of the most important aspects to consider when analyzing the financial statements of a company is the viability of a company. Predicting continuity is very important for managers and business owners to predict the probability of bankruptcy. Companies can avoid bankruptcy risk by looking at the company's productivity, regardless of whether it is failing or not. In addition, financial health analysis can assess a company's ability to meet short-term debt, its capital structure, and other factors that can predict how high the risk of bankruptcy of a company is (Haryetti, 2010).

Financial distress is a situation where a company experiences financial difficulties which can range from the mildest, which is a short-term liquidity problem, to the most severe (*insolvable*), which is difficult to solve. Companies will be better able to meet their short-term obligations and will be less likely to experience financial difficulties in the short term if the level of liquidity is higher (Sandi & Amanah, 2019). For calculate financial distress using the Altman Z-score formula (1968) and the following formula (Foster, 1986):

$$Z = 1.2 X1 + 1.4 X2 + 3.3 X3 + 0.6 X4 + 1.0 X5$$

Information:

X1 = Working Capital/Total Assets

X2 = Retained Earnings/Total Assets

X3 = Profit before interest and tax/Total Assets

X4 = Stock market value/Book value

X5 = Sales/Total assets

Signaling Theory

Signaling theory according to George Akerlof (1970) is a principle that reveals fluctuations in market costs which can then have an impact on traders' choices. Impact investor decisions have both positive and negative impacts on market conditions. Shareholders will respond in various ways, including by buying shares to be sold or taking action in the form of wait and see which is usually called "wait and see" first before making a choice. This choice is not always bad or wrong, but rather is a form of shareholder movement in stopping risks caused by market factors that have not been able to provide benefits or benefits (Handini, 2020).

Signaling theory according to Amalia (2008) is a theory for predicting and improving the quality of company disclosure, especially by using the internet as a medium for company disclosure. Signal theory functions as an information signal in communicating internal messages to the outside or to the outside world. These signals are information and actions that management can take to fulfill shareholder desires (Widari, 2018).

HYPOTHESIS

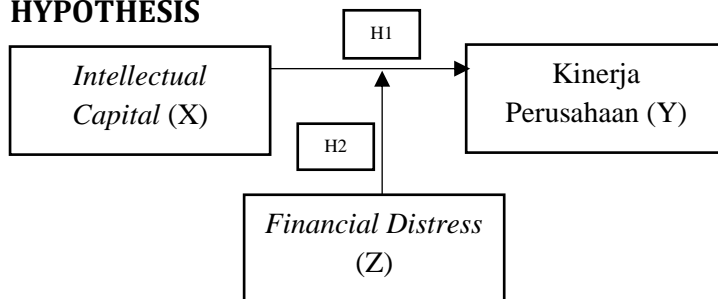


Figure 2.1 Hypothesis Model

hypothesis Study

H1: *Intellectual Capital* influential positive significant to performance finance

H2: *Financial Distress* capable moderate influence *intellectual capital* to performance finance

RESEARCH METHODS

According to Kasmiran (2008), this research is a quantitative research, quantitative research is an activity using data in the form of numbers to gain knowledge and then using the numerical data to analyze what is then understood and known. Meanwhile, according to Nana Sudjana and Ibrahim (2001), quantitative research is essentially a hypothesis-based research where variables are determined and analyzed using measurable research models.

The data used in this research is secondary data. According to Sugiyono (2016), secondary data are data sources that are not directly received by data collectors, either through documents or from sources such as the internet. Secondary data is usually used for quantitative research. Meanwhile, according to Arikunto (2013), secondary data is data obtained from graphic documents (tables, memos, meeting minutes, SMS, etc.), photos, films, video recordings, objects, etc., which can enhance primary data information.

Data Source

The research data in this is for manufacturing companies listed on the Indonesian Sharia Stock Index (ISSI) for the 2018-2021 period and obtained from the *idx.co.id website* and the company's official website. The data collection method used in this study is the documentation method. Documentation techniques are methods used to obtain accurate data and information in the form of documents, archives, written drawings and diagrams in the form of information that can support research.

Population and Sample

Population is the entire collection of objects or subjects that show certain traits and characteristics determined by the researcher and from which conclusions can be drawn (Sugishirono, 2016). The population used in this research consists of 113 manufacturing companies listed on the Indonesian Sharia Stock Price Index (ISSI) for the period 2018 to 2021. After determining the population, the next step is sampling.

The sample is a small part of the population that has characteristics (Sugiyono, 2016). According to Sujarweni (2015) the sample is part of a set of population characteristics used in research. Samples taken from the population must be representative and valid. In this research, a sampling technique was used using Purposive Sampling. Purposive Sampling is a sampling technique with certain characteristics. The sample was chosen because it was considered appropriate to the research and could provide the required information.

The following are the characteristics used in sampling:

- a. Manufacturing companies listed in the Indonesian Sharia Stock Index (ISSI)
- b. Companies that publish annual reports on the company's official website
- c. Manufacturing companies provide annual reports for the 2018-2021 period consecutively.

d. Manufacturing companies include complete data on the variables that will be needed during research

The list of companies listed in the Indonesian Sharia Stock Index (ISSI) and which have met the requirements to be used as a sample is 20 companies.

RESULTS AND DISCUSSION

Table 1
Multiple Linear Regression Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.032374	0.015925	2.032930	0.0465
X1	0.008850	0.002600	3.403840	0.0012
Effect Specification				
			S.D.	Rho
Cross-section random			0.047265	0.7005
Idiosyncratic random			0.030907	0.2995
Wheighted Statistics				
R-squared	0.156466	Mean dependent var		0.024106
Adjusted R-squared	0.142407	S.D. dependent var		0.033656
S.E. of regression	0.031535	Sum squared resid		0.059667
F-statistic	11.12929	Durbin-Watson stat		1.280435
Prob(F-statistic)	0.001462			

Source : data processed in 2023

Influence *Intellectual Capital (X1)* on Financial Performance

Based on the Eviews output of multiple linear tests in table 4.1 values probability are :

- *Intellectual Capital (X1)* probability value is 0.0012 < 0.5 , then H1 is accepted

Table 2
MRA Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.030816	0.012807	2.406288	0.0192
X1Z	0.002503	0.00495	5.056195	0.0000
Effect Specification				
			S.D.	Rho
Cross-section random			0.041360	0.6673
Idiosyncratic random			0.029205	0.3327
Wheighted Statistics				
R-squared	0.293133	Mean dependent var		0.025796
Adjusted R-squared	0.281352	S.D. dependent var		0.034492
S.E. of regression	0.029603	Sum squared resid		0.052580
F-statistic	24.88157	Durbin-Watson stat		1.234355
Prob(F-statistic)	0.000006			

Source: Data processed by Researchers (2019)

Influence *Intellectual Capital* (X1), *Sales Growth* (X2), and *Leverage* (X3) to performance finance with *Financial Distress* as a Moderation variable

➤ Multiplication results between *intellectual capital* (X1) with *financial distress* (Z) has probability value $0.0000 < 0.5$ then H4 is accepted

DISCUSSION

Influence *Intellectual Capital* on financial performance

The main factor that makes intellectual property very important is a shift in management focus from tangible assets to intangible assets. This can be an advantage for the company if it is able to manage its intangible assets optimally. Good management is able to strengthen the company's value through the quality of its human resources so that the latest innovations emerge in the industrial sector which are able to strengthen consumption levels. Companies that have a good organizational structure, capital structure and internal conditions are also able to trigger stability in company revenues and company value. *Intellectual Capital* has a positive effect on the company's financial performance. So that if the value of *intellectual capital* is higher, the value of the financial performance ratio will also increase. According to (Febriany, 2020) *intellectual capital* can provide added value to companies if implemented properly. *Intellectual capital* also plays an important role in improving financial performance. Effective and efficient management of physical capital is part of the utilization of the company's *intellectual capital* so that it can improve the company's financial performance. Companies that implement human resources that are competent and able to manage capital will maintain stakeholder trust in the company so that they produce good performance and can increase ROA (Fatikha & Yudiana, 2021). This is in accordance with research conducted by (Nurhayati et al., 2019) which states that there is a significant positive effect between *Intellectual Capital* on financial performance (ROA).

The Effect of *Intellectual Capital* on Financial Performance with *Financial Distress* as a Moderating Variable

Financial distress can significantly moderate the relationship between *Intellectual capital* and financial performance. This can be interpreted that the higher the financial distress ratio as a moderating variable can strengthen the relationship between *intellectual capital* and financial performance. Companies experiencing financial distress can make companies maintain or improve their performance so that companies can increase their profitability. If a company has a Z-Score value of more than < 2.99 , it means that the company is in good financial condition. According to the signal theory which suggests how companies should give signals to users of financial statements. This will provide a positive signal for investors to invest in the company so that it can improve the company's financial performance (Agustina & Mranani, 2020). One of the most important aspects to consider when analyzing a company's financial statements is the viability of a company. Predicting continuity is essential for managers and business owners to predict the possibility of bankruptcy. Companies can avoid the risk of bankruptcy by looking at the company's productivity, regardless of whether it is in decline or

not. In addition, financial condition analysis can assess a company's ability to meet short-term debt, its capital structure, and other factors that can predict how high a company's risk of bankruptcy is.

CONCLUSION

Based on research conducted on the effect of financial capital on the financial performance of companies with financial distress on the moderating variable, it can be concluded that intellectual capital has a positive influence on the company's financial performance, which means that if the value of intellectual capital increases, financial performance will also increase. Financial distress can moderate the relationship between intellectual capital and financial performance, which means that the higher the financial distress ratio, the stronger the relationship between intellectual capital and financial performance.

Suggestion

For researcher Next, author hope For can repair study This with add independent variable that can influence performance finance so that can expand sample with add year research and get obtain maximum results.

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