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THE INFLUENCE OF INTELLECTUAL CAPITAL ON COMPANY FINANCIAL PERFORMANCE

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A R T I C L E I N F O

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ABSTRACT

Financial performance is a description of the results achieved by a compensation from its efforts to carry out its business activities. This research aims to conduct a literature review regarding the influence of intellectual capital on financial performance. Intellectual capital in this research was measured using the VAIC (Value Added Intellectual Coefficient) method which consists of VACA (Value Added Intellectual Employed), VAHU (Value Added Human Capital), and STVA (Structural Capital Value Added). Financial performance in this research is proxied by Return on Assets (ROA) and Return on Equity (ROE). This research method used in this research is SLR (Systematic Literature Review). Data collection was carried out by identifying and reviewing all articles that had the same research topic in this study. The articles used in this research were 20 articles with a minimum list of 6 obtained from Google Scholar. The results of this research prove that intellectual capital as measured by VACA, VAHU, and STVA has an influence on financial performance as proxied by Return on Assets (ROA) and Return on Equity (ROE).

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INTRODUCTION

In the current era of globalization, many companies are implementing various strategies in their business activities to face increasingly tight business competition. This business competition is carried out by companies to obtain maximum profits that support the company's financial performance. Financial performance is a description of the results achieved by a company from its efforts to carry out its business activities. Ratnasari et al., (2016) define financial performance as determining a certain analysis using financial implementation rules that can measure a company's success in generating profits.

Efforts to improve financial performance in companies are intended as a form of responsibility to interested parties, such as stakeholders and stockholders. A decline in financial performance will have an impact on the company's profit generation and business continuity, which can influence investors' decisions in making investments. Investors can see the company's financial performance through the company's financial reports which can be described or measured through Return on Assets (ROA) and Return on Equity (ROE). According to Purwanto and Mela (2021), Return on Assets (ROA) shows how much profit a company can generate through the total assets owned by the company. The large ROA value generated by a company shows the efficient use of assets in increasing profits. Return on Equity (ROE) shows how much profit the company generates through the capital the company owns.

In the industrial era 4.0, the world economic system is starting to change from an industrial economic system to a knowledge-based economy (intellectual-based economic system). One form of this change can be seen from the increasing growth of e-commerce and fintech. The industrial economic system focuses on managing tangible assets, such as raw materials, machines, factories, and is based on conventional principles. This is in contrast to an intellectually based economic system, which focuses on managing intangible assets such as science and technology to support company growth. This change phenomenon cannot be separated from the influence of globalization, which has brought developments in the world

of technology and information. This development brings new concepts and changes in carrying out business practices, as well as creating new challenges for business people. These challenges take the form of efforts made to maintain the existence and increase the company's competitiveness in facing the impact of changes occurring in the business world.

Based on this phenomenon, it can be seen that the business world is always experiencing development. Therefore, companies must be able to face the competition caused by these developments, so that they can improve their financial performance.

In an effort to improve financial performance, companies must be able to maximize all the resources they have, such as asset management. Assets in a company can be tangible assets and intangible assets. With the phenomenon of changes in the intellectual-based economic system, companies cannot only maximize the management of tangible assets, but must also be able to maximize the intangible assets owned by the company. One of the intangible assets owned by a company in an effort to improve the company's financial performance is intellectual capital. Intellectual capital is a knowledge-based resource that describes intangible assets which, if used optimally, will improve the quality and competitive advantage of the company (Anggraini et al., 2019). According to Sari (2020), intellectual capital is knowledge or intangible assets that develop the value of products or services, thus contributing to the innovation and creativity of the resources owned by a company.

Intellectual capital can be measured using the VAIC (Value Added Intellectual Coefficients) method. Pulic (1998) proposed measuring intellectual capital using the VAIC method which is obtained from the sum of VACA (Value Added Capital Employed), VAHU (Value Added Human Capital), and STVA (Structural Capital Value Added).

Various studies have been conducted that link intellectual capital through the VAIC method to company financial performance. One of them is research by Kurniawati et al., (2020) entitled "The Influence of Intellectual Capital and Company Size on Company Financial Performance", research results show that intellectual capital is measured by Capital Employed Efficiency (VACA), Human Capital Efficiency (VAHU), and Structural capital efficiency (STVA) has a positive effect on the company's financial performance. Meanwhile, in Usman and Mustafa's (2019) research, intellectual capital had no effect on financial performance.

This research aims to determine and review the influence of intellectual capital as proxied by Value Added Capital Employed (VACA), Value Added Human Capital (VAHU), and Structural Capital Value Added (STVA) on the company's financial performance as proxied by Return on Assets (ROA).) and Return on Equity (ROE). This is based on differences from the results of previous research. It is hoped that the results of this research will be able to provide information and benefits so that companies can maximize their intellectual capital to support the company's financial performance.

THEORETICAL STUDY

Resource – Based Theory (RBT)

Resource-based theory (RBT) is a theory developed and used for the purpose of analyzing sustainable competitive advantage so that it can create value for a company and obtain profits by owning or controlling strategic assets, both tangible and intangible (Shofa, 2014). Based on this, it can be seen that the competitive advantage possessed by a company can increase the value and profits of a company. This competitive advantage can be obtained through controlling the assets owned by the company, both tangible and intangible.

Intellectual Capital

Pulic (1998) developed the VAIC (Value Added Intellectual Coefficient) method to measure Intellectual Capital. Value Added Intellectual Coefficient (VAIC) consists of three components that are measured, namely Capital Employee Efficiency (VACA), Human Capital Efficiency (VAHU) and Structural Capital Efficiency (STVA). VACA is an indicator for the added value created by one unit of physical capital. This ratio shows the contribution made by each CE (Capital Employed) unit to the company's value added. VAHU shows how much added value is generated through funds spent on labor. This ratio shows the contribution made by every rupiah invested in human capital to the company's value added. STVA shows the

amount of structural capital needed to produce 1 Rupiah of value added, which is an indication of how successful structural capital is in creating value. According to Wijayani (2017), STVA is related to a series of processes, organizational structure, work culture and the company's ability to fulfill its activities and strategies.

Financial Performance

Financial performance is the result or achievement that management has achieved in carrying out its responsibilities in allocating company assets effectively over a certain period of time (Gani, 2022). This research measures financial performance through the ROA (Return on Assets) and ROE (Return on Equity) ratios. ROA (Return on Assets) is a profitability ratio used to measure financial performance (Sendari and Isbanah, 2018). A high ROA value illustrates the company's ability to manage its assets. ROE (Return on Equity) is the net profit returned to shareholders (Yulianto and Lindawati, 2020). Return on Equity describes the results obtained for each shareholder from investments made in the business. Through this ratio, the ability of the company's capital to generate profits for share owners can be measured.

RESEARCH METHODS

This study method uses the Systematic Literature Review (SLR) method. According to Anditiasari et al., (2021) Systematic Literature Review (SLR) is a method used in research by identifying, reviewing, evaluating and interpreting all the research that researchers have obtained. Researchers will carry out a review by systematically identifying and examining articles related to the research topic.

In collecting data, researchers used 20 articles related to the topic of discussion. Articles were obtained from national journals and international journals collected using Google Scholar, with the keywords the influence of intellectual capital on financial performance. The articles reviewed are publications from 2017 - 2023, published by journals that have at least a score of 6, and are in accordance with the topic studied by researchers, namely the influence of intellectual capital on company financial performance. This research was carried out in several stages, namely determining the topic of discussion, collecting data in the form of articles relevant to the topic, then the articles obtained were arranged into one table consisting of the author's name, article title, journal and research results, then conducting an analysis and discussion, to draw conclusions.

RESEARCH RESULTS AND DISCUSSION

Based on the results of identification and review of the articles that have been collected, it can be seen that measuring intellectual capital is carried out using the Value Added Intellectual Coefficient (VAIC) method developed by Pulic (1998). This method consists of three main components, namely Value Added Capital Employed (VACA), Value Added Human Capital (VAHU), and Structural Capital Value Added (STVA). Of the 20 articles that have been reviewed, it is known that 17 articles have research results which state that intellectual capital has an effect on financial performance, and 3 articles have research results which state that intellectual capital has no effect on financial performance. All articles examined in this research use the Value Added Intellectual Coefficient method in measuring Intellectual Capital and use the indicators Return on Assets (ROA), Return on Equity (ROE), Earning per Share (EPS), Capital Adequency Ratio (CAR), Market to Book Value, and Growth Ratio (GR) for financial performance. However, in this research the focus of financial performance indicators is Return on Assets (ROA) and Return on Equity (ROE).

Intellectual Capitalis intellectual property that is centered on human resources which functions to increase the company's competitiveness. If human resource capabilities get better, it is hoped that it will produce good performance for the company, so that the profitability of Return on Assets will increase (Wijayani, 2017). Return on Assets is a ratio used to measure a company's effectiveness in utilizing its assets to generate profits. VACA (Value Added Capital Employed) describes the efficient use of a company's physical capital in generating profits through its operational activities. The relationship between VACA and ROA can be seen that if the use of physical capital in the company is efficient, the company will experience an increase in profits. This supports the statement from Kartika and Hatane (2013), VACA is the company's

ability to manage resources in the form of capital assets which, if managed well, will improve the company's financial performance. VAHU (Value Added Human Capital) describes the added value obtained by the company through spending rupiah for each contribution made by the workforce. According to Devi, et al. (2017), value added human capital indicates the ability of the workforce to produce value for the company from the funds spent on the workforce. The relationship between VAHU and ROA can be seen through the costs incurred by the company for worker compensation to support the company's financial performance. STVA (Structural Capital Value Added) describes company systems and procedures that support employee potential in achieving optimal company performance. The relationship between STVA and ROA can be seen from the company's ability to fulfill all company routines, so that it can produce good systems and procedures to support financial performance.

Research by Lubis and Ovami (2020) states that intellectual capital which is proxied using VAIC has a significant and influential effect on the company's financial performance which is proxied in ROA (Return on Assets). This is also supported by research conducted by Annisa (2019), which states that Intellectual Capital, which is proxied by a combination of the components VACA (Value Capital Employed), VAHU (Value Added Human Capital), and STVA (Structural Capital Value Added) has a significant effect on simultaneous or partial impact on the financial performance of banking companies as proxied by ROA (Return on Assets).

Return on Equity(ROE) describes how efficiently a company can generate profits through the use of its shareholders' capital, so that it can provide good returns for the company's shareholders. Good management of intellectual capital consisting of VACA, VAHU and STVA will create innovative ideas for the workforce in terms of improving company performance, for example the design and production of more varied goods and maximizing service to consumers. This will of course support an increase in sales value and consumer loyalty towards the company, so that the company will gain profits which can influence the level of return on capital to the company's shareholders. Research conducted by Rini and Boedi (2017), states that Intellectual Capital consisting of VACA (Value Added Capital Employed), VAHU (Value Added Human Capital), and STVA (Structural Capital Value Added) has a significant effect on banking financial performance as measured by ROE (Return on Equity). This is also supported by research conducted by Yulianto and Lindawati (2020) which states that Intellectual Capital with its three components consisting of VACA (Value Added Human Employed), VAHU (Value Added Human Capital), and STVA (Structural Capital Value Added) has an effect significant impact on financial performance as measured through Return on Equity (ROE) together.

Based on this explanation, it can be seen that intellectual capital consisting of Value Added Capital Employed (VACA), Value Added Human Capital (VAHU), and Structural Capital Value Added (STVA) has an influence on the company's financial performance as measured using Return on Assets (ROA). and Return on Equity (ROE). This is supported by several research results from articles that have been collected for this research, such as research conducted by Wijayani (2017) which states that Intellectual Capital as measured based on VACA has a significant positive effect on financial performance as measured using ROA and ROE. The research results from Gani (2022) also support the results of this research, that intellectual capital consisting of VACA, VAHU, and STVA simultaneously has a significant positive effect on financial performance using the ROA (Return on Assets), ROE (Return on Equity) ratios. , and GR (Growth Revenue).

CONCLUSION

This research aims to determine the influence of intellectual capital on company financial performance. Based on a literature study conducted on the articles that have been collected, it can be concluded that intellectuality is measured using the VAIC (Value Added Intellectual Coefficient) method which consists of VACA (Value Added Capital Employed), VAHU (Value Added Human Capital), and STVA (Structural Capital Value Added) has an influence on the company's financial performance as proxied by Return on Assets (ROA) and Return on Equity (ROE). So, if the company can maximize the management of its intellectual capital, the company will gain profits that can support the company's performance.

In conducting this research, the researcher had several limitations, including: With this literature review research method, the researcher only carried out a literature review study by comparing research results from several articles and did not conduct research directly, the number of references was in accordance with the article collection criteria for this research is also limited, and the financial performance variables used in this research are only measured through Return on Assets (ROA) and Return on Equity (ROE).

Based on these limitations, for future research it is recommended to carry out further research by conducting research directly and adding measurement components to financial performance variables which can expand the results of further research.

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