

# The Influence of Intellectual Capital Disclosure and Capital Structure on Firm Value in Indonesian's State-Owned Company

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**Abstract:-** The aim of this study is to analyze the influence of intellectual capital disclosure and capital structure on firm value in state-owned enterprises listed on the IDX from 2018 to 2021. The whole sampling approach was employed for sample selection in this study, which is a sampling strategy in which all members of the population are utilized as samples, yielding a total of 26 firms. Panel data regression using the EViews tool was utilized for data analysis. According to the findings, intellectual capital disclosure had a positive and significant effect on firm value. While capital structure had no significant negative effect on firm value. Managerial implications that provide input to managers of BUMN companies that are not listed on the IDX so that they can compare the good source and resource asset management in BUMN companies that have gone public, allowing them to influence and even increase the company's value in the future in a sustainable manner.

**Keywords:-** Intellectual Capital Disclosure, Capital Structure, Firm Value.

## I. INTRODUCTION

State-owned enterprises (BUMN) are companies that are wholly, mostly or partially owned by the government and the government gives control over them. Since June 2022, there have been 91 SOEs in Indonesia including 79 Persero and 12 Perums spread across 12 industrial sectors, and 26 state-owned companies have traded their shares on the Indonesia Stock Exchange (IDX). Investors are more interested and confident in participating in these businesses after seeing BUMN enterprises where virtually every element is handled by the government. With high investor confidence in state-owned companies that have been included in the IDX list, these companies get a higher value compared to other companies.

Firm value plays an important role for the company because company value is the main reference for investors to manage their funds in a stock because the higher the value, the higher the share price. Firm value is the value given by the market for shares owned by companies that have gone public, if they have not gone public, then firm value is the value that occurs when the company is sold. Azizah (2015). So that companies that trade their shares will get a valuation in the form of company value. Improved performance in the

operational and financial fields has a significant impact on share prices and can increase the value of the company as a whole on the Indonesia Stock Exchange.

An investor in assessing a company is not enough only with information that is financial in nature, therefore an investor also needs non-financial information to be considered as investment material. Other non-financial factors that affect company value are shown by the research results of (Pamungkas & Maryati, 2017), and (Ardianto & Rivandi, 2018) empirically proving that disclosure of intellectual capital Disclosure has a positive effect on firm value. In addition, the factor that affects the value of the company financially to be used as information for investors is the capital structure. The results of research conducted by Hasbi, (2015), concluded that capital structure has a close relationship and has a positive impact on firm value. In addition, research conducted by (M, 2019), and Martha & Afdella, (2022) also concluded that capital structure has a positive and significant effect on company value.

Intellectual capital (IC) is a method used to value and measure knowledge assets. The presence of substantial tangible assets as well as intangible assets like information systems, innovation, organizational management, and organizational resources demonstrates the company's ability to compete. Intellectual capital refers to all of the company's control over the business, including customer relationships, employee relationships, and auxiliary processes created through innovation, knowledge modification, knowledge transfer, and ongoing learning to increase corporate value (Gozali & Hatane, 2014). Intellectual Capital Disclosure is proxied by dividing the amount disclosed by the amount that should be disclosed by a company.

The results of research by (Devi et al., 2017), (Yulinda et al., 2020), (Fadilah & Afriyenti, 2020), and (Halim, 2021) show that intellectual capital has an effect on firm value and has a positive effect but is inversely proportional to the research results (Candra & Wiratmaja, 2020) intellectual capital has no effect on company value. There are differences in the results of previous studies which mean that intellectual capital cannot be said to have an effect on firm value.

Capital structure is the quantity of long-term debt vs own capital can be compared or balanced out (Riyanto, 2013). A capital structure that may reduce average capital costs while boosting company value is said to be optimum. (Riyanto, 2013). Debt to Equity Ratio (DER) is a good measure of capital structure since it shows how much debt there is compared to total shareholder equity. This ratio illustrates how much of total debt is compared to total equity. The company's duties to third parties increase with increasing DER.

Several previous studies have shown inconsistent results on capital structure variables such as research conducted by (Prastuti & Sudiarta, 2016), and (Hamidy et al., 2015) stated that capital structure has a positive effect on firm value. Meanwhile, the results of research conducted by (Arindita & Sampurno, 2015), and (Utomo & Christy, 2017) prove that capital structure has a negative and significant effect on firm value.

## II. LITERATURE REVIEW

### A. Firm Value

Value according to (Andriani et al., 2019) is defined as the firm's definite value which describes investors' perceptions of the company concerned. The company value shows the accomplishments made by the firm and demonstrates the public's confidence in the organization from the time it was founded to the present (Mariani & Suryani, 2018). Firm value is very important and even becomes the main goal of a company besides obtaining profits so that if the company value is at an optimal point it becomes an important source for management and investors. A manager who is capable of increasing the value of the firm; the manager has demonstrated strong performance in attaining it for the company (Triani & Tarmidi, 2019). Meanwhile, investors think that an increase in company value is a good view of the company so investors will be interested in investing so that the company's stock price increases (Widodo & Kurnia, 2016).

### B. Intellectual Capital Disclosure

Intellectual Capital can also be defined as a knowledge resource owned by a company in the form of employees, processes or technology, and customers. These resources can be used by companies in the process of creating value for the company. This information is contained in the company's annual financial report. Thus, disclosure of IC (ICD) may be regarded as disclosure of a company's intellectual capital, which has been defined as a collection of intangible assets in value creation due to its capacity to drive organizational performance (Bontis et al., 2000).

### C. Capital Structure

Capital structure is an essential problem for businesses since it directly affects the company's financial condition, which ultimately affects the company's value (Brigham F. & Houston, 2010). According to Yuliana et al. (2013), capital structure theory is concerned with the influence of changes in capital structure on business value, assuming consistent investment decisions and dividend policies. According to

Brigham and Houston (2013), the ideal capital structure of a corporation refers to the configuration that maximizes the stock price of the company. The capital structure represents the financial composition of the company and needs to be managed effectively in order to optimize the company's value.

## III. RESEARCH METHOD

This research is an associative study using a quantitative approach that examines the cause-and-effect relationship or the influence of intellectual capital disclosure and capital structure on firm value. The method employed is based on secondary data, namely the company's annual reports accessible on the Indonesia Stock Exchange for the 2018-2021 timeframe. The census technique or total sampling was used to choose the sample for this study, which included 26 firms. In this study, EViews V11 is used for data analysis. The first step in this research is to calculate the common effect model, fixed effect model, and random effect model. Then test the three models to find out the model that will be used in research by doing the Chow test, Hausman test and Lagrange multiplier test. After the model is selected, then it is necessary to test the basic assumptions in the form of a normality test using the Jarque-Bera test. When the significance value for the Jarque-Bera test is less than 0.05, which denotes that the data used were regularly distributed, the findings are indicated by significance. In order to determine if the data is normally distributed, a multicollinearity test using the correlation value of 0.8 is used, which is a traditional assumption test. If the correlation value is  $\leq 0.8$ , it can be concluded that there is no relationship between the independent variables (no multicollinearity symptoms occur). Then perform heteroscedasticity using the Glejser test method. Furthermore, hypothesis testing is carried out with the selected panel data regression model.

## IV. RESULTS

Table 1. Panel Data Multiple Linear Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.381762	0.380066	-1.004463	0.3184
ICD	1.971290	0.851879	2.314049	0.0234
CS	-0.049910	0.024945	-2.000767	0.0490
Effects Specification				
Cross-section fixed (dummy variables)				
Root MSE	0.321575	R-squared		0.653597
Mean dependent var	1.182145	Adjusted R-squared		0.524273
S.D. dependent var	0.549022	S.E. of regression		0.378677
Akaike info criterion	1.126523	Sum squared resid		10.75472
Schwarz criterion	1.863901	Log likelihood		-29.57921
Hannan-Quinn	1.425257	F-statistic		5.05395

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Durbin-Watson stat	2.048331	Prob(F-statistic)	0.00000 0

Sources: Research Data, 2023

Based on Table 4.1 the regression model equation obtained from the test results is as follows:

Firm Value =  $-0.381762 + 1.971290$  (ICD) -  $0.049910$  (Capital Structure)

a. The constant is  $-0.381762$ , which suggests that if the independent variable is zero or constant, the average business value falls by 38.1762 percent.

b. The ICD variable has a regression coefficient of  $1.971290$ , which implies that if the ICD variable increases by one unit, the company value increases by  $1.971290$ .

c. The regression coefficient for the capital structure variable (DER) is  $-0.04990$ , which implies that for every unit increase in the capital structure variable (DER), the company value falls by  $0.049910$ .

## V. DISCUSSION

### A. The Effect of Intellectual Capital Disclosure on Firm Value

The results of the study show that the intellectual capital disclosure variable has a positive regression coefficient of  $1.971290$ . The significance level is  $0.0234 < 0.05$ , which means that intellectual capital disclosure has a positive and significant effect on firm value. This explains why a company's worth rises along with its amount of intellectual capital disclosure. The value of the firm will thus rise with greater intellectual model disclosure, according to this logic. The results of this study are in line with the research (Devi et al., 2017), (Ardianto & Rivandi, 2018), and (Rivandi & Septiano, 2021) conclude that Intellectual Capital Disclosure (ICD) has a positive and significant effect on firms value in BUMN companies which are listed on the Indonesia Stock Exchange.

### B. Effect of Capital Structure on Firm Value

The results of the study show that the Capital Structure variable has a positive regression coefficient of  $-0.049910$ . The significance level is  $0.0490 > 0.05$ , which means that capital structure has a negative and significant effect on firm value. This clarifies the relationship between a company's worth and its capital structure, which is higher the higher the level. This implies that the amount of debt a firm has will affect its value, whether it is greater or lower. The results of this study are in line with (Ananda, 2017), and (Apriada and Suardhika 2016) capital Structure has a substantial impact on firm value in Indonesian state-owned enterprises listed on the Indonesian Stock Exchange.

A larger capital structure suggests that the business is using more cash from debt than equity to support operational activities. When a company can take advantage of debt and save money on taxes and other expenditures in addition to interest, it will be more flexible in how it conducts its operational operations. According to signaling theory, when a corporation borrows money, it is assumed to have the

capability to expand its operations and pay back the borrowed money. The company's worth will improve as investors' perceptions of it become more favorable.

## VI. CONCLUSIONS

Intellectual capital disclosure has a positive and significant effect on firm value. That is, information related to intangible assets owned by the company will increase investor confidence in the company, and disclosure of intellectual capital provides an overview of the condition of the company the higher the level of disclosure of intellectual capital, the higher the value of the company.

Capital structure has a negative and significant effect on firm value. That is, when a company uses debt, but the interest rate or cost is greater than its income, it will actually reduce the value of the company.

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