



## The Determinants of Firm Value and Financial Performance in Islamic Stocks

Salma Khoirunnisaa Arribaat<sup>1</sup>, Imam Yahya<sup>2</sup> and Ratno Agriyanto<sup>3</sup>

### Abstract

*One of the company's long-term goals is to maximize the firm value. It is the present value of the company, which can be a prospect in the future. Therefore, the problem in this study is the factors that affect the company's value in the Jakarta Islamic Index for 2015-2019. This study analyzes the influence of Intellectual Capital, Good Corporate Governance, and Debt to Equity Ratio on Firm Value directly and indirectly through Financial Performance. The data used in this study is panel data using purposive sampling, and there are 17 stocks listed on the Jakarta Islamic Index for 2015-2019 period. The analysis technique of this research is Partial Least Square. The test results of the direct effect show that Intellectual Capital, Debt to Equity Ratio, and Financial Performance have a significant impact on Firm Value on the Jakarta Islamic Index. Corporate governance has a substantial effect on Financial Performance. Meanwhile, indirect testing proves that the Financial Performance variable can only mediate the impact of Corporate Governance on Firm Value. However, it cannot mediate between the relationship between the variable intellectual capital and debt ratio to equity.*

**Keywords :** Intellectual Capital; Good Corporate Governance; Debt to Equity Ratio; Return On Assets; Price to Book Value.

### INTRODUCTION

The welfare of shareholders can be carried out by creating high corporate value. Maximizing shareholder wealth through company value is a long-term

---

<sup>1</sup>Universitas Islam Negeri (UIN) Walisongo Semarang, Indonesia

<sup>2</sup>Universitas Islam Negeri (UIN) Walisongo Semarang, Indonesia

<sup>3</sup>Universitas Islam Negeri (UIN) Walisongo Semarang, Indonesia

<sup>1</sup>e-mail : [salmakhoirunnisaa95@gmail.com](mailto:salmakhoirunnisaa95@gmail.com)



benefit for the company. The value of the company is often associated with the company's stock price. A high share price indicates that the company's business is increasing. It can be concluded that the value of share ownership (price per share) can be an accurate indicator for estimating company value (Sabrin *et al.*, 2016). High or cheap stock prices reflect the company's value, which will then affect the level of prosperity felt by the company (Rizki *et al.*, 2019). Shares that provide significant capital gains will attract investors' purchasing power due to favorable prospects in the future. However, the stock price, which reflects the firm value, has fluctuated from 2015 to 2019, a sign that the firm value is also fluctuating.



Source: yahoo.finance

**Figure 1**  
**Jakarta Islamic Index (JII) of Stock Price Chart for 2015-2019**

Based on **Figure 1**, it can be seen that the fluctuations of stock price began in mid-2015 with shallow movements and increased in the following years and tended to decline in 2017 and 2019. Several factors caused fluctuations in stock prices as a reflection of company value. Return On Assets is one of the indicators of financial performance used to measure the rate of return on assets managed by the company. When ROA increases, the stock price and firm value increase. Several studies have been conducted to examine the relationship between Return On Assets and Price to Book Value. Misran & Chabachib (2017) found that Return



On Assets significantly affects Price to Book Value. Mulyana & Rini (2017) states that Return On Assets variable can significantly influence Price to Book Value. It means that any increase in ROA will increase firm value (Price to Book Value). This statement is also supported by the results of research conducted by Mulyana & Rini (2017), Tauke *et al.* (2017), and Purwanto & Agustin (2017) found that profitability has a significant effect on firm value, which means that the higher profit, the higher Return On Assets, so the higher Price to Book Value. However, contrary to the research results of Salempang *et al.* (2016), Umaiya & Salim. M. Noor (2018) and Setia Rini *et al.* (2018) state that Return On Assets does not affect Price to Book Value because companies cannot manage their assets effectively; on the other hand, assets can increase firm value.

Investors tend to be willing to pay high prices to companies that manage their intellectual resources optimally to create added economic value. The research conducted by Chen *et al.* (2005) said that the higher the intellectual capital a company has, the higher the share price investors are willing to pay. They were supported by Yovita & Amrania (2018) and Septiana (2018), which state that companies with high intellectual resources can be the primary driver in creating added value and increasing competitiveness to maximize profits, profitability, and company value. However, on the other hand, intellectual capital does not influence company value, according to Jayanti & Binastuti (2017) research results, because many companies still prioritize only tangible assets and put aside intangible assets (Suryanti *et al.*, 2020).

The formation of company value can also be influenced by implementing corporate governance in ensuring the safe use and management of company assets and equity to generate profits. Transparency and independence in accountability are the main pillars in financial management to avoid manipulating financial report numbers in the public sector (Agriyanto, 2018). Given that financial reports are a vital source of information for the basis of economic decision-making, including investing (Agriyanto *et al.*, 2016). Therefore, to make it happen, companies need to implement good corporate governance. So that investors and stakeholders believe that the assets and invested capital are appropriately managed, therefore they can bring short-term and long-term benefits (Oktaryani *et al.*, 2017). Santoso (2017) and Haryono & Paminto (2015) stated that the variable Good Corporate

Governance could stimulate financial performance to optimize firm value. It can mean that the variable Good Corporate Governance can influence Price to Book Value significantly. However, on the other hand, Wahyudi & Chairunesia (2019), Nugroho & Agustia (2017), Kartika & Utami (2019) stated that the composition of Good Corporate Governance does not affect company value.

The firm value will increase when the company uses optimal debt to generate maximum profits (Hamidy *et al.*, 2015). The theory of Modigliani and Millers said that a company would be able to increase its value when using maximum debt in its capital structure. Sriatun *et al.* (2016) and Misran & Chabachib (2017) found that the Debt to Equity Ratio can significantly influence Price to Book Value. The results of research support this by Burhanuddin *et al.* (2019) and Sutrisno & Yulianeu (2013). However, not with Radiman (2018) research results and Setia Rini *et al.* (2018), the Debt to Equity Ratio can not affect the Price to Book Value.

This research uses Signaling Theory, in which the company informs the market well about the company's internal conditions. So that the market will respond to this positive information, this will cause prices to rise so that company value and financial performance will increase. Internal company information is provided in the form of periodic financial reports. The market response comes after the company publishes the financial statements. Therefore, the calculation of the PBV change value is represented by the delta PBV. The Price to Book Value change in Price to Book Value before and after the company publishes its financial statements.

Based on the series of arguments and research gaps raised from several previous studies above, utilization of Intellectual Capital, implementation of Good Corporate Governance, and Debt to Equity Ratio are believed to influence the variables of financial performance and firm value. It is interesting to investigate further to prove the hypothesis, in theory, is accepted or rejected. The factors considered influence firm value to become the concern for the company to increase its firm value and become a tool for investor consideration before making investment decisions. Therefore, this study was conducted to analyze and determine the relationship between the influence of Intellectual Capital, Good Corporate Governance, and Debt to Equity Ratio on Firm Value and Financial Performance in companies listed on the Jakarta Islamic Index for the period 2015-2019.



## LITERATUR REVIEW

### Signaling Theory

Signaling theory is an attitude the company's management takes to inform or indicate capital owners about how the company management considers prospects (Oktaryani *et al.*, 2017). Companies can increase their value if they can reduce information asymmetry by providing positive signals to the market in the form of financial reports and certainty about future company prospects (Triagustina *et al.*, 2015).

### Intellectual Capital

Pulic (2000) innovated an intellectual model known as the Value Added Intellectual Coefficient (VAIC™) method to describe the efficiency of value creation from managing the company's tangible assets and intangible assets. Intellectual resources are stated as sources of exclusive and high-value knowledge, including strategic assets that impact the relationship between intellectual capital and company performance. It is appropriate for companies to want their sources of knowledge to be the main driver in creating added value; therefore, it can maximize profitability and company value (Septiana, 2018). Based on the theoretical foundation and empirical results above, hypothesis 1 and 2 can be formulated as follows:

$H_1$  : *Intellectual Capital influences Financial Performance significantly.*

$H_2$  : *Intellectual Capital influences Firm Value significantly.*

### Good Corporate Governance

Good Corporate Governance is referred to as a means that limits the attitude of managers in prioritizing their interests compared to prioritizing the interests of holders to increase company value (Kultys, 2016). Institutional ownership is the share of shares owned by external companies such as government institutions, financial and non-financial companies, and private companies, excluding the public (Yang *et al.*, 2009). Independent Commissioner is a member of the board of commissioners who do not have share ownership in the company and has no



relationship with other members of the board of commissioners who may cause him not to act independently (Putri & Maksum, 2020). Based on the theoretical foundation and empirical results above, hypothesis 3 and 4 can be formulated as follows:

$H_3$  : *Good Corporate Governance influences Financial Performance significantly.*

$H_4$  : *Good Corporate Governance influences Firm Value significantly.*

### **Debt to Equity Ratio**

Capital structure is the composition of funding sources originating from internal companies in retained earnings and equity participation and external companies in short-and long-term debt. The theory of Modigliani and Miller states that "The company will be able to increase its value when using maximum debt in its capital structure". The trade-off theory assumes that if the company uses debt higher than its capital, its value will increase, provided that the debt to equity ratio has not reached its maximum (Purwanto & Agustin, 2017). Based on the theoretical foundation and empirical results above, hypothesis 5 and 6 can be formulated as follows:

$H_5$  : *Debt to Equity Ratio influences Financial Performance significantly.*

$H_6$  : *Debt to Equity Ratio influences Firm Value significantly.*

### **Financial Performance**

A financial performance ratio measures the effectiveness of financial management in managing assets and capital into profit (Rizki *et al.*, 2019). Brigham & Houston (2010) said that Return on Assets is a ratio that describes the capacity of the company to create profits from assets used for the company's operations during a period. Therefore, increasing return on assets will increase firm value because if the rate is high, then the company's profitability is also high. Based on the theoretical foundation and empirical results above, hypothesis 7 can be formulated as follows:

$H_7$  : *Financial Performance influences Firm Value significantly.*



## Firm Value

According to the theory of the firm, increasing company value is a goal that companies want to achieve by the desires of capital owners because a high company value is equal to the high level of welfare and prosperity obtained by capital owners and stakeholders (Setia Rini *et al.*, 2018). The firm value determines the welfare of the owners of capital and the company's long-term goals. The higher the company value, the higher the company value. The impact is that investor interest in investing is high because they see a significant level of welfare (Maryanto, 2017). Based on the theoretical foundation and empirical results above, hypothesis 8, 9, and 10 can be formulated as follows:

$H_8$  : Intellectual Capital significantly influences Firm Value through Financial Performance as an intervening variable.

$H_9$  : Good Corporate Governance significantly influences Firm Value through Financial Performance as an intervening variable.

$H_{10}$  : Debt to Equity Ratio significantly influences Firm Value through Financial Performance as an intervening variable.

Figure 2 explained theoretical framework is needed that is developed based on the literature review and relationship between variables to clarify the scope and sequence of this research.

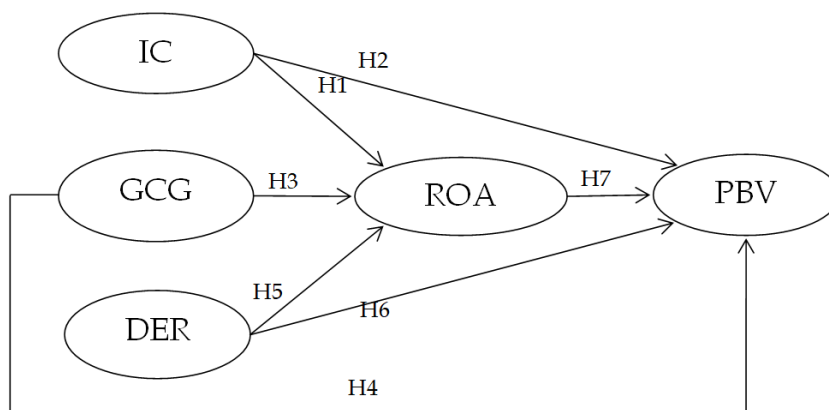


Figure 2.  
Theoretical Framework

## RESEARCH METHOD

This study uses a quantitative approach with secondary data. The data used is panel data with a purposive sampling technique. The unit of analysis in this study is all issuers consistently listed on the Jakarta Islamic Index for the 2015-2019 period. The number of samples used was 85 (17 stocks x 5 years). The samples were taken from the company's financial statement that provides complete information regarding the data needed in this paper include; Intellectual Capital, Good Corporate Governance, Debt to Equity Ratio, Return on Assets, and Price to Book Value. Then, the sample of this research 17 (seventeen) stocks listed on the Jakarta Islamic Index, including; ADRO, AKRA, ANTM, ASII, BSDE, ICBP, INCO, INDF, KLBF, LPPF, PGAS, PTBA, PTPP, TLKM, UNTR, UNVR, and WIKA with 85 (eighty-five) samples.

The analytical method chosen is PLS-based SEM. PLS is a powerful analytical method because it is not based on many assumptions (Astakoni & Nursiani, 2020). The use of PLS-SEM is advisable to estimate models that use secondary data like in this research. PLS estimation is helpful for testing models that use panel data (Benitez *et al.*, 2018). Ali *et al.* (2018) define SEM as a multivariate analysis in the social sector where the variables are latent (unobserved variable) and indicator (observed variable). The researchers used SEM-PLS because the variables used consisted of latent variables and indicators and a relatively small number of samples. Jr *et al.* (2019) and Romo-Gonzalez *et al.* (2018) also stated that SEM-PLS could be used for much smaller sample sizes. A structural model or inner model is made to test between exogenous and endogenous. Furthermore, the researcher will get the coefficient and p-value values for drawing conclusions. The R-Square test and the influence of the variables were obtained from the bootstrapping process (Khairiyani & Mubyarto, 2019).

Sobel Test to examine the indirect effect of independent variables toward dependent variable through intervening variable. The structural model in this study is as follows;

$$Y_1 = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e_1.$$

$$Y_2 = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Y_1 + e_2.$$





Information:

$\beta$ : Regression coefficient

$X_1$ : Intellectual Capital (IC)

$X_2$ : Good Corporate Governance (GCG)

$X_3$ : Capital Structure (DER)

$Y_1$ : Financial Performance (ROA)

$Y_2$ : Firm Value (PBV)

$e$ : Error.

## RESULTS AND DISCUSSION

This research has a dependent variable, namely PBV, three independents variables are IC, GCG, and DER, and the intervening variable is ROA. A descriptive statistic is one part of data analysis to describe the characteristics of the data from each variable used in this study. The descriptive statistic can be seen in **Table 1** as follows:

**Table 1**  
Descriptive Statistics

	PBV	ROA	IC	GCG	DER
<b>N</b>	85	85	85	85	85
<b>Mean</b>	-3.103	8.390	8.166	0.374	1.044
<b>Median</b>	-0.160	6.200	5.530	0.370	0.820
<b>Maximum</b>	3.840	45.790	49.510	0.570	2.910
<b>Minimum</b>	-228.450	-4.750	1.210	0.080	0.140
<b>Std. Dev.</b>	24.679	8.550	8.790	0.090	0.705
<b>Excess Kurtosis</b>	83.698	6.317	13.090	1.505	0.233
<b>Skewness</b>	-9.118	2.188	3.603	-0.477	1.082

Source: Secondary data processed, 2020

**Table 1** shows that the number of data in each variable is 85 data. The descriptive statistics result explained that the minimum and maximum values of PBV variable are -228.45 dan 3.84, mean value is -3.103 and standard deviation value is 24.68. The standard deviation value of ROA is 8.55, the maximum value

is 45.79, the minimum value is -4.75, and 8.39 for mean value. Furthermore, for the independent variable, IC has a maximum value of 49.51; the minimum value is 1.21, 8.17 for the mean value, and 8.79 for the standard deviation value of IC. The maximum and minimum values of GCG are 0.57 and 0.08, with mean values is 0.37 and 0.09 for standard deviation values. Moreover, the third independent variable, DER has a standard deviation value of 0.705; the mean value is 1.044, 0.14, and 2.91 for the maximum and minimum value of DER.

**Table 2**  
**Result of Coefficient of Determination Test (R<sup>2</sup>) ROA**

Model	R Square	Adjusted R <sup>2</sup>
1	.281 <sup>a</sup>	.254
1	.325 <sup>a</sup>	.292

Source: Secondary data processed, 2020

**Table 2** shows that the R-Square value of the ROA construct is 0,281. It means that the structural model of the independent variable on the dependent variable is weak. The IC, GCG, and DER variables explained the ROA variance of 28,1%, and the remaining 71,9% was influenced by other factors not examined in this study. Then, the R-Square value of the construct  $\Delta$ PBV is 0,325. IC, GCG, DER, and ROA variables explained the PBV variance of 32,5%, and the remaining 67,5% was influenced by other factors not examined in this study.

**Table 3**  
**Result of Path Coefficients**

	Original Sample (O)	Standard Deviation (STEDEV)	T Statistic ( O/STDEV )	P Values	Significant Value
IC à ROA	-0.118	0.073	1.615	0.107	Rejected
IC à PBV	-0.130	0.063	2.070	0.039	Received
GCG à ROA	-0.494	0.134	3.693	0.000	Received
GCG à PBV	0.001	0.131	0.006	0.995	Rejected
DER à ROA	-0.041	0.110	0.377	0.707	Rejected
DER à PBV	-0.245	0.095	2.583	0.010	Received
ROA à PBV	-0.532	0.204	2.608	0.009	Received

Source: Processed, 2020



### **The Effect of Intellectual Capital on Financial Performance**

The estimation parameter to test the effect of Intellectual Capital on Financial Performance shows that the t value is smaller than the t table ( $1.615 < 1.99$ ), indicating that  $H_1$  is **rejected**. It means that Intellectual Capital has no significant effect on the Financial Performance of listed companies on the Jakarta Islamic Index.

Intellectual capital can create competitive advantages and value-added through innovation and development of the business environment to generate maximum company profits (Jeneo, 2013). However, the results of this study have broken this theory. Supported by the research results of Sunardi (2017), Rahajeng & Hasibuan (2020) and Weqar *et al.* (2020) state that intellectual capital does not have a significant effect on financial performance as proxied by Return On Assets (ROA). It can be caused by the company still not optimally utilizing intellectual resources efficiently and still using the business of labor-based business compared to knowledge-based business. Companies rely more on physical capital and financial capital in generating profits.

### **The Effect of Intellectual Capital on Firm Value**

The estimation parameter to test the effect of Intellectual Capital on firm value shows that the t value is higher than the t table ( $2.070 > 1.99$ ), indicating that  $H_2$  is **accepted**. It means that Intellectual Capital has a significant effect on the Firm Value of listed companies on the Jakarta Islamic Index.

Chen *et al.* (2005) stated that the higher the intellectual resources owned by the company, the higher the value of shares that investors are willing to pay. The results of this study support Purnamasari (2017), Yovita & Amrania (2018), and Sunarsih *et al.* (2019), who concluded that intellectual capital has a significant effect on firm value as measured by price book to value (PBV). Ulum (2008) states that the effective and efficient use of intellectual resources will stimulate the company's creation to encourage investors to invest.

### **The Effect of Good Corporate Governance on Financial Performance**

The estimation parameter to test the effect of Good Corporate Governance on Financial Performance shows that the t value is greater than the t table ( $3.693$

> 1.99), indicating that  $H_3$  is **accepted**. It means that Good Corporate Governance has a significant effect on the Financial Performance of listed companies on the Jakarta Islamic Index.

Supervision and monitoring carried out by the largest shareholder are very important in increasing the company's profitability – the higher the institutional ownership, the tighter the supervision on company management. The position of the independent commissioner ensures the strategies adopted by the company, monitors management in managing the company, requires transparent and effective accountability implementation (Saputra *et al.*, 2017). Independent commissioners encourage management performance to achieve company goals, including the goal of generating significant profits. This research is in line with Larosa *et al.* (2019) and Oktaryani *et al.* (2017), which states that good corporate governance significantly affects financial performance.

### **The Effect of Good Corporate Governance on Firm Value**

The estimation parameter to test the effect of Good Corporate Governance on Firm Value shows that the t value is smaller than the t table ( $0.006 < 1.99$ ), indicating that  $H_4$  is **rejected**. It means that Good Corporate Governance has no significant effect on the Firm Value of listed companies on the Jakarta Islamic Index.

Ekaputra *et al.* (2020), Wahyudi & Chairunesia (2019), Kartika & Utami (2019), and Harahap *et al.* (2019) found that the composition of institutional ownership and independent commissioners had no significant effect on the creation of company value. The strategic alignment hypothesis reveals that institutional shareholders who hold majority shares are thought to be more inclined to the side and cooperate with certain parties in management to prioritize their interests over those of minority investors (Amaliyah & Herwiyanti, 2019). The existence of independent commissioners cannot affect the company's value because their performance is less objective in monitoring the board of directors. Independent commissioners are unable to intervene in inappropriate board decisions due to which investors respond negatively to this situation and impact the decline in company value (Rusli *et al.*, 2020).



### **The Effect of Debt to Equity Ratio on Financial Performance**

The estimation parameter to test the effect of Debt to Equity Ratio on Financial Performance shows that the t value is smaller than the t table ( $0.377 < 1.99$ ), indicating that  $H_5$  is **rejected**. It means that the Debt to Equity Ratio has no significant effect on the Financial Performance of listed companies on the Jakarta Islamic Index.

Companies that already have sufficient assets to fund company activities include managing company assets. Therefore, the company uses internal sources of funds in retained earnings and equity participation in its capital structure. The company does not want to take risks because it uses foreign funds, namely debt, in the short and long term. The results of this study support the findings of Sukasa *et al.* (2017), Wartono (2018), Setyaningsih & Cunengsih (2018), and Maulita & Tania (2018), which state that the Debt to Equity Ratio does not have a significant effect on the return on assets of the company.

### **The Effect of Debt to Equity Ratio on Firm Value**

The estimation parameter to test the effect of Debt to Equity Ratio on Firm Value shows that t value is greater than t table ( $2.583 > 1.99$ ), indicating that  $H_6$  is **accepted**. It means that the Debt to Equity Ratio significantly affects the Firm Value of listed companies on the Jakarta Islamic Index.

The firm value will decrease when the company uses debt on capital that exceeds the optimum limit ( $> 2.0$ ). Companies that have large debts tend to have a high risk of paying back their debt costs. It is terrible news for investors and causes the company's value to fall. Nasehah & Widyarti (2012) said that the proportion of debt that exceeds the optimum limit in the company's capital structure to finance operational costs would reduce the company's value. Sukoco (2013) and Septariani (2017) support the results of this study by stating that the Debt to Equity Ratio has a significant effect on firm value.

### **The Effect of Financial Performance on Firm Value**

The estimation parameter to test the effect of Financial Performance on Firm Value shows that the t value is greater than the t table ( $2.608 > 1.99$ ), indicating

that  $H_7$  is **accepted**. It means that Financial Performance has a significant effect on the Firm Value of listed companies on the Jakarta Islamic Index.

This study indicates that an increase in Return On Assets reduces the Price to Book Value. This statement is supported by Pratama & Wiksuana (2018), Triagustina *et al.* (2015), and Sinaga *et al.* (2019), which states that financial performance and firm value have a significant negative relationship. This situation can be caused because the profit retained by the company is too large, and the return on assets distributed to investors is minimal. The profitability generated by the company tends not to be shared with shareholders but is used for the company's operations and to expand its investment projects.

Testing the indirect effect is conducted by using the Sobel test to observe the effect of the independent variable on the dependent variable using intervening variables. The Sobel test can be carried out using the following formulations:

$$Sab = \sqrt{b^2 Sa^2 + a^2 Sb^2 + Sa^2 Sb^2}$$

### **The Effect of Intellectual Capital on Firm Value through Financial Performance as Intervening**

Based on the results of *the Sobel Test* formulation, it is known that the influence of the intellectual capital variable on the firm value variable with the financial performance variable as intervening has t value less than t table ( $1.306284 < 1.99$ ). Therefore, hypothesis  $H_8$  is **rejected**. Intellectual capital has no significant effect on firm value with financial performance as an intervening variable.

Junaedi *et al.* (2020), Suryanti *et al.* (2020), and Siti *et al.* (2020) state that financial performance can not mediate the relationship between intellectual capital and firm value. Due to the company's management being unable to utilize the components of the Value Added Intellectual Coefficient (VAIC) of the company effectively and efficiently; therefore it is unable to generate significant profits. Investors ignore this variable because they are unable to increase wealth in the form of capital gains or dividends for investors (Siti *et al.*, 2020). Thus, the role of financial performance as a mediator has failed.



### **The Effect of Good Corporate Governance on Firm Value through Financial Performance as Intervening**

Based on the results of the Sobel Test formulation, it is known that the effect of the variable good corporate governance on firm value variables with the financial performance variable as an intervening has a value of t value greater than t table ( $2.078651 > 1.99$ ). Therefore, hypothesis  $H_9$  is **accepted**. Good corporate governance has a significant effect on firm value with financial performance as an intervening variable.

Financial performance can mediate the relationship between independent commissioners and institutional ownership of firm value. In the perspective of signaling theory, financial performance is a variable used as a reference by investors to assess a company's share price, regardless of whom the company is led and how much institutional share ownership is in the company (Widnyana, 2019). The increasing number of independent directors will increase share ownership and company profits; thus, investors will be attracted to invest their capital (Kadarningsih *et al.*, 2020). According to a financial perspective, company value can be created if the company can generate a return of capital more remarkable than the cost of capital (Suprayitno *et al.*, 2015).

### **The Effect of Debt to Equity Ratio on Firm Value through Financial Performance as Intervening**

Based on the results of the Sobel Test formulation, it is known that the influence of debt to equity ratio variable on the firm value variable with the financial performance variable as intervening has t value less than t table ( $1.306284 < 1.99$ ). Therefore, the hypothesis  $H_{10}$  is **rejected**, debt to equity ratio has no significant effect on firm value with financial performance as an intervening variable.

The research results by Setia Rini *et al.* (2018) state that the share of company capital used as debt collateral to creditors cannot stimulate company performance in generating profits. Meanwhile, on the one hand, profitability is used as an analytical tool to assess a company which is usually reflected in its share price. This study indicates that the company has sufficient internal funds to fund company activities, including managing company assets. The low debt ratio used results in a low-interest expense; therefore, it does not reduce the profit

generated by the company. Observing that debt to equity ratio does not affect the return on assets, financial performance cannot mediate the relationship between capital structure and firm value.

## CONCLUSION

This study concludes that the direct effect of Intellectual Capital, Debt to Equity Ratio, and Financial Performance on Firm Value have a significant effect. Good Corporate Governance has a significant effect on the Financial Performance of the Jakarta Islamic Index in 2015-2019. Meanwhile, the indirect effect test proves that Financial Performance can only mediate the relationship between the influence of Good Corporate Governance and Firm Value. However, it cannot mediate between the relationship between Intellectual Capital and Debt to Equity Ratio.

This research implies that the creation of firm value is what companies should give the concern. The market price, which is higher than the company's book value, will attract investors to invest with the notes that the company has provided a favorable description of the future. Investors are more interested in companies that provide great wealth with little risk. All aspects of company management must be paid more attention, especially in making business policies that will impact profitability and the creation of value. This study is limited in terms of time and object of research. It is expected that the next researcher can add variables and the period of the study. Therefore, the results of the research could be broader.





## REFERENCES

- Agriyanto, R. (2018). Model Rekayasa Perilaku Menggunakan Informasi Akuntansi Berbasis AkruaI Pada Organisasi Pemerintah. *Jurnal Akuntansi Dan Keuangan Indonesia*, 15(1), 77-103.
- Agriyanto, R., Rohman, A., Ratmono, D., & Ghozali, I. (2016). Accrual Based Accounting Implementation: An Approach For Modelling Major Decisions. *Risk Governance & Control: Financial Markets & Institution*, 6(4), 531-539.
- Ali, F., Li, J. J., Kim, W., & Cobanoglu, C. (2018). A Comparative Study of Covariance and Partial Least Squares Based Structural Equation Modelling in Hospitality and Tourism Research. *International Journal of Contemporary Hospitality Management*, 30(1).
- Amaliyah, F., & Herwiyanti, E. (2019). Pengaruh Kepemilikan Institusional, Dewan Komisaris Independen, dan Komite Audit terhadap Nilai Perusahaan Sektor Pertambangan. *Jurnal Akuntansi*, 9(3), 187-200.
- Astakoni, M. P., & Nursiani, N. P. (2020). Efek Intervening Struktur Modal Pada Pengaruh Ukuran Perusahaan Terhadap Profitabilitas. *Jurnal KRISNA*, 2(11), 137-147.
- Benitez, J., Chen, Y., TTeo, T. S. H., & Ajamieh, A. (2018). Evolution of the Impact of E-Business Technology on Operational Competence and Firm Profitabilty: A Panel Data Investigation. *ELSEVIER*, 55, 120-130.
- Brigham, E. F., & Houston, J. F. (2010). *Dasa-dasar Manajemen Keuangan* (11th ed.). Penerbit Salemba Empat.
- Burhanuddin, Widiyanti, M., & Taufik. (2019). The Role Of Profitability As An Intervening Variable On Analysis Impact Of Debt Policy, Company Growth On Firm Value Of Property And Real Estate Listed In Indonesia Stock Exchange. *International Journal of Scientific Research and Engineering Development*, 2(1). [www.ijrsred.com](http://www.ijrsred.com)
- Chen, M.-C., Cheng, S., & Hwang, Y. (2005). An Empirical Investigation of The Relationship Between Intellectual Capital And Firm's Market ValueAnd Financial Performance. *Journal of Intellectual Capital*, 6(2), 159-176. <https://doi.org/https://doi.org/10.1108/14691930510592771>



- Ekaputra, A. E., Fuadah, L. luk, & Yuliana, S. (2020). Intellectual Capital, Profitability, and Good Corporate Governance Effects on Company Value. *Binus Business Review*, 11(1), 25–30.
- Hamidy, R. R., Wiksuana, I. G. B., & Artini, L. G. S. (2015). Pengaruh Struktur Modal Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Intervening Pada Perusahaan Properti dan Real Estate di Bursa Efek Indonesia. *Jurnal Manajemen Unud*, 10, 665–682. <https://ojs.unud.ac.id/index.php/EEB/article/view/10237>
- Harahap, M., Erlina, & Daulay, M. (2019). The Influence of Capital Structure, Profitability, Liquidity, Ownership Structure, and Firm Size on Firm Value. *International Journal of Research and Review*, 6(2), 92–105.
- Haryono, & Paminto. (2015). Corporate Governance and Firm Value: The Mediating Effect of Financial Performance and Firm Risk. *European Journal of Business and Management*, 7, 18–24.
- Jayanti, L. D., & Binastuti, S. (2017). Pengaruh Intellectual Capital Terhadap Nilai Perusahaan dengan Kinerja Keuangan sebagai Variabel Intervening pada Perusahaan Perbankan yang Terdaftar di Bursa Efek Indonesia. *Jurnal Ekonomi Bisnis*, 22(3), 187–198.
- Jeneo, A. (2013). Pengaruh Human Capital, Structure Capital, dan Physical Capital terhadap Kinerja Perusahaan Perbankan di Indonesia. *Jurnal TEKUN*, IV(2), 247–263.
- Jr, J. F. H., Sarstedt, M., & Hopkins, L. (2019). Partial Least Squares Structural Equation Modeling (PLS-SEM) An Emerging Tool in Business Research. *Emerald Insight*, 20(48), 43.
- Junaedi, R. A., Nuraini, E., & Sulistyowati, N. W. (2020). Does The Value of the Company Affected Intellectual Capital with Financial Performance as Interesting Variables? *Ilomata International Journal of Tax & Accounting*, 1(2), 115–121.
- Kadarningsih, A., Pangestuti, I., & Wahyudi, S. (2020). The Role of Audit Committee of GCG in Increasing Company Value through ROA. *Academin Journal of Interdisciplinary Studies*, 9(4), 15–22.
- Kartika, S., & Utami, W. (2019). Effect of Corporate Governance Mechanisms on Financial Performance and Firm Value with Green Accounting Disclosure



- as Moderating Variables. *Research Journal of Finance and Accounting*, 10(24), 150–158.
- Khairiyani, & Mubyarto, N. (2019). Kebijakan Investasi, Pendanaan dan Dividen Sebagai Determinan Nilai Perusahaan. *Jurnal Akuntansi Multiparadigma*, 10(2), 328–341.
- Kultys, J. (2016). Controversies about Agency Theory as Theoretical Basis for Corporate Governance. *Oeconomia Copernica*, 7(4), 613–634.
- Larosa, S. E., Erlina, & Abubakar, E. (2019). Analysis Of The Factor Affecting Company Value With Profitability As Intervening Variable In Non Financial Companies Listed In Indonesia Stock Exchange 2015-2017 Period. *Journal Of Public Budgeting, Accounting and Finance*, 2(2), 1–15. <http://ijpbaf.org/index.php/ijpbaf/article/view/165>
- Maryanto, H. K. (2017). Pengaruh Intellectual Capital dan Good Corporate Governance terhadap Nilai Perusahaan dengan Kinerja Keuangan sebagai Variabel Intervening pada Perusahaan Manufaktur di Bursa Efek Indonesia Tahun 2011 - 2014. *JOM Fekon*, 4(1), 1598–1612. <https://jom.unri.ac.id/index.php/JOMFEKON/article/view/12968>
- Maulita, D., & Tania, I. (2018). Pengaruh Debt to Equity Ratio (DER), Debt to Asset Ratio (DAR), dan Long Term Debt to Equity Ratio (LDER) terhadap Profitabilitas. *Jurnal Akuntansi*, 5(2), 132–137.
- Misran, M., & Chabachib, M. (2017). Pengaruh CR, DER Dan TATO Terhadap PBV Dengan ROA Sebagai Variabel Intervening (Studi Pada Perusahaan Property & Real Estate Yang Terdaftar Pada Bei Tahun 2010-2014). *Journal of Management*, 6, 1–8. <https://doi.org/2337-3806>
- Mulyana, B., & Rini, R. (2017). Pengaruh Solvabilitas; Profitabilitas; Ukuran Perusahaan Serta Dampaknya Pada Return Saham Perusahaan Sub Sektor Otomotif Dan Komponennya Yang Terdaftar Di Bursa Efek Indonesia Periode Tahun 2010-2016. *Jurnal Ilmiah Manajemen & Bisnis*, 3(1), 17–30. <http://publikasi.mercubuana.ac.idphp/indikator>
- Nasehah, D., & Widyarti, E. T. (2012). Analisis Pengaruh ROE, DER, DPR, Growth dan Firm Size terhadap Price to Book Value (PBV). *Diponegoro Journal of Management*, 1(1), 1–9.

- Nugroho, W. C., & Agustia, D. (2017). Corporate Governance, Tax Avoidance, and Firm Value. *AFEBI Accounting Review*, 2(2), 15–29.
- Oktaryani, G. A. S., P., I. N. N. A., Sofiyah, S., Negara, I. K., & Mandra, I. G. (2017). Pengaruh Good Corporate Governance Terhadap Nilai Perusahaan dengan Profitabilitas Sebagai Variabel Intervening (Studi Pada Perusahaan Perbankan Di Bursa Efek Indonesia). *Distribusi - Journal of Management and Business*, 5(2), 45–58. <https://doi.org/10.29303/distribusi.v5i2.36>
- Pratama, A. I. G. B., & Wiksuana, I. G. B. (2018). Pengaruh Firm Sizedan Profitabilitas terhadap Nilai Perusahaan dengan Struktur Modalsebagai Variabel Mediasi. *E-Jurnal Ekonomi Dan Bisnis Universitas Udayana*, 7(5), 1289–1318.
- Pulic, A. (2000). VAIC™ an accounting tool for IC management. *International Journal of Technology Management*, 20(5/6/7/8), 702. <https://doi.org/10.1504/IJTM.2000.002891>
- Purnamasari, P. E. (2017). Pengaruh Intellectual Capital Terhadap Price Book Value Melalui Laba Perusahaan Pada Perusahaan Perbankan Yang Terdaftar di BEI Tahun 2011-2013. *J-PIPS*, 3(2), 102–111.
- Purwanto, P., & Agustin, J. (2017). Financial Performance towards Value of Firms in Basic and Chemicals Industry. *European Research Studies Journal*, 20(2A), 443–460. [http://www.ersj.eu/repec/ers/papers/17\\_2\\_A\\_p27.pdf](http://www.ersj.eu/repec/ers/papers/17_2_A_p27.pdf)
- Putri, S. K., & Maksum, A. (2020). Determinants of Firm Value and Earnings Management in Indonesian Sharia Stock Companies. *International Journal of Innovation, Creativity and Change*, 13(6), 305–324.
- Radiman. (2018). Pengaruh Debt to Equity Ratio dan Total Assets Turnover terhadap Price to Book Value dengan Return on Assets sebagai Variabel Intervening. *Jurnal Riset Finansial Bisnis*, 2(3), 99–110. <https://ejurnal.id/index.php/jrfb/article/view/202>
- Rahajeng, D. K., & Hasibuan, N. Z. (2020). Does Intellectual Capital Matter? A Case Study of Indonesia Sharia Banks. *The Indonesian Journal of Accounting Research*, 23(2), 155–182.
- Rizki, M. K., Agriyanto, R., & Farida, D. N. (2019). The Effect of Sustainability Report and Profitability on Company Value: Evidence from Indonesian Sharia Shares. *Economica: Jurnal Ekonomi Islam*, 10(1), 117–140.



- Romo-Gonzalez, J. R., Machin-Mastromatteo, D. J., & Tarago, J. (2018). PLS SEM, a Quantitative Methodology to Test Theoretical Models from Library and Information Science. *Journals SAGEPUB*, 6.
- Rusli, Y., Nainggolan, P., & Pangestu, C. (2020). Pengaruh Independent Board of Commissioners, Institutional Ownership, and Audit Committee terhadap Firm Value. *Journal of Business and Applied Management*, 13(1), 49-101.
- Sabrin, Satria, B., S., D. T., & Sujono. (2016). The Effect Of Probability on Firm Value in Manufacturing Company at Indonesia Stock Exchange. *The International Journal of Engineering and Science (IJES)*, 5(10), 81-89. <http://www.theijes.com/papers/v5-i10/K0501081089.pdf>
- Salempang, L. E., Sondakh, J. J., & Pusung, R. J. (2016). Pengaruh Return On Asset, Debt To Equity Dan Pertumbuhan Penjualan Terhadap Nilai Perusahaan Pada Sektor Real Estate Dan Property Yang Terdaftar Di BEI Tahun 2013-2014. *Jurnal Berkala Ilmiah Efisiensi*, 16(3), 813-824. <https://ejournal.unsrat.ac.id/index.php/jbie/article/viewFile/13577/13163>
- Santoso, A. (2017). Pengaruh Good Corporate Governance Terhadap Nilai Perusahaan Dengan Kinerja Keuangan Sebagai Variabel Intervening. In *UNEJ E-PROCEEDING (978-602-5617-01-0)*. <https://jurnal.unej.ac.id/index.php/prosiding/article/view/6675>
- Saputra, M., A., N., & Rafiq, I. (2017). The Influence of Independent Commissioner, Audit Committee, and Institutional Ownership on Stock Price and Its Impact on Profitability (Study at LQ45 Companies Listed on Indonesia Stock Exchange). *Account and Financial Management Journal*, 2(12), 1199-1206.
- Septariani, D. (2017). Pengaruh Kebijakan Dividen dan Kebijakan Hutang terhadap Nilai Perusahaan. *Journal of Applied Business and Economics*, 3(3), 183-195.
- Septiana, G. (2018). Analisis Pengaruh Intellectual Capital Terhadap Nilai Perusahaan Dengan Kinerja Keuangan Sebagai Variabel Intervening Pada Perusahaan Perbankan Yang Terdaftar Di Bursa Efek Indonesia Periode 2010-2015. *JURNAL PUNDI*, 2(3). <https://doi.org/10.31575/jp.v2i3.99>

- Setia Rini, R., Puspitaningtyas, Z., & Prakoso, A. (2018). Pengaruh Current Ratio, Total Asset Turnover dan Debt to Equity Ratio terhadap Price to Book Value dengan Return On Asset sebagai Variabel Intervening (Studi Pada Perusahaan Sektor Industri Barang Konsumsi di Bursa Efek Indonesia Periode 2013-2017). *Jurnal Profita*, 11(3), 329-358. <https://doi.org/10.22441/profita.2018.v11.03.001>
- Setyaningsih, E. D., & Cunengsih, C. (2018). Pengaruh Debt to Equity Ratio dan Current Ratio terhadap Return On Asset pada PT. MIDI UTAMA Indonesia, Tbk. *Account*, 5(2), 877-885.
- Sinaga, J., Setyadi, D., Paminto, A., & Defung, F. (2019). Moderating the Effect of Company Value Determinants of Oil Palm Estate Companies. *Journal of Arts & Humanities*, 08(11), 40-53.
- Siti, B., Kusuma, R., & Khusniyah, I. N. (2020). The Financial Performance: Mediator of Intellectual Capital and The Firm Value. *Eurasia: Economics & Business*, 4(34), 39-48.
- Sriatun, Suharno, & Widarno, B. (2016). Pengaruh good corporate governance dan debt to equity ratio terhadap nilai perusahaan dengan kinerja keuangan sebagai variabel intervening. *Akuntansi Dan Sistem Teknologi Informasi*, 12(1), 46-56. <http://ejurnal.unisri.ac.id/index.php/Akuntansi/article/view/1215>
- Sukasa, L., Suhadak, & Hidayat, R. R. (2017). The Influence of Corporate Governance and Capital Structure on Financial Performance. *Jurnal Administrasi Bisnis*, 42(1), 66-74.
- Sukoco, H. (2013). Analisis Pengaruh Debt to Equity Ratio, Profitabilitas, Firm Size, dan Likuiditas terhadap Nilai Perusahaan melalui Media Dividend Payout Ratio. *Jurnal Bisnis Strategi*, 22, 112-125.
- Sunardi, N. (2017). Determinan Intellectual Capital dengan Pendekatan iB-VAIC Terhadap Efisiensi Biaya Implikasinya Pada Profitabilitas Perbankan Syariah di Indonesia. *Jurnal Ilmiah Manajemen FORKAMMA*, 1(1), 20-35.
- Sunarsih, N. M., Dewi, N. P. S., & Kireina, M. (2019). Analysis of Factors Effecting The Firm Value Factors that Effect The Firm Value. *International Journal of Applied Business & International Management*, 4(3), 94-103.



- Suprayitno, G., Yasni, S., & Susandy, M. (2015). *Laporan Hasil Riset dan Pemeringkatan Corporate Governance Perception Index 2014: Good Corporate Governance dalam Perspektif Penciptaan Nilai (I)*. The Indonesian Institute for Corporate Governance.
- Suryanti, C., Handajani, L., & Effendy, L. (2020). Faktor-Faktor yang Mempengaruhi Nilai Perusahaan dengan Profitabilitas sebagai Variabel Intervening. *E-Jurnal Akuntansi*, 30(7), 1857-1871.
- Sutrisno, W. A., & Yulianeu. (2013). Pengaruh CR, DER dan TATO Terhadap PBV dengan ROA Sebagai Variabel Intervening (Studi Pada Perusahaan Property & Real Estate Yang Terdaftar Pada BEI Tahun 2010-2014). *Journal of Management*, 3(3), 1-8. <https://doi.org/10.1055/s-2006-926839>
- Tauke, P. Y., Murni, S., & Tulung, J. E. (2017). Pengaruh Kinerja Keuangan Terhadap Nilai Perusahaan Real Estate and Property Yang Terdaftar Di Bursa Efek Indonesia Tahun 2012-2015. *Jurnal EMBA*, 5(2), 919-927. <https://ejournal.unsrat.ac.id/index.php/emba/article/view/16009>
- Triagustina, L., Sukarmanto, E., & Helliiana. (2015). Pengaruh Return On Asset (ROA) dan Return On Equity (ROE) Terhadap Nilai Perusahaan pada Perusahaan Manufaktur Subsektor Makanan dan Minuman yang Terdaftar di Bursa Efek Indonesia Periode 2010-2012. *Prosiding Akuntansi*, 1(2), 28-34. <http://karyailmiah.unisba.ac.id/index.php/akuntansi/article/view/1549>
- Ulum, I. (2008). Intellectual Capital Performance Sektor Perbankan di Indonesia. *Jurnal Akuntansi Dan Keuangan*, 10(2), 7-84. <https://doi.org/https://doi.org/10.9744/jak.10.2.PP.%2077-84>
- Umaiyah, E., & Salim. M. Noor. (2018). Rasio Keuangan, Ukuran Perusahaan, Struktur Modal Dan Dampaknya Terhadap Nilai Perusahaan Non Perbankan Kkategori LQ-45. *Jurnal Ilmiah Manajemen & Bisnis*, 2(3), 120-135. <http://publikasi.mercubuana.ac.idphp/indikator>
- Wahyudi, S. M., & Chairunesia, W. (2019). The Effect of Good Corporate Governance on Investment Decisions and Profitability and Its Impact on Corporate Value. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 9(3), 140-149.

- Wartono, T. (2018). Pengaruh Current Ratio (CR) dan Debt to Equity Ratio (DER) terhadap Return on Asset (ROA). *Jurnal KREATIF*, 6(2), 78-97.
- Weqar, F., Khan, A. M., Raushan, M. A., & Haque, S. M. I. (2020). Measuring The Impact of Intellectual Capital on The Financial Performance of The Finance Sector of India. *Journal of The Knowledge Economy*. <https://doi.org/https://doi.org/10.1007/s13132-020-00654-0>
- Widnyana, W. (2019). Influence of Financial Architecture on Financial Performance and Corporate Value in the Indonesian Capital Market. *Journal of Emerging Economies and Policy*, 4(2), 27-42.
- Yang, W. S., Loo, S. C., & Shamsir. (2009). The Effect of Board Structure and Intitusi Ownership Structure on Earnings Management. *International Journal of Economics and Management*, 3(2), 332-353.
- Yovita, M., & Amrania, G. K. P. (2018). The Influence of Intellectual Capital to Market Value with Return on Assets as Intervening Variable. *Journal of Accounting Auditing and Business*, 1(2), 7. <https://doi.org/10.24198/jaab.v1i2.18267>

