

Catching Up The Effect Between Corporate Governance, Profitability, Company Size, And Firm Value With Intellectual Capital As A Mediation Variables In Indonesia Stock Exchange

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ABSTRACT

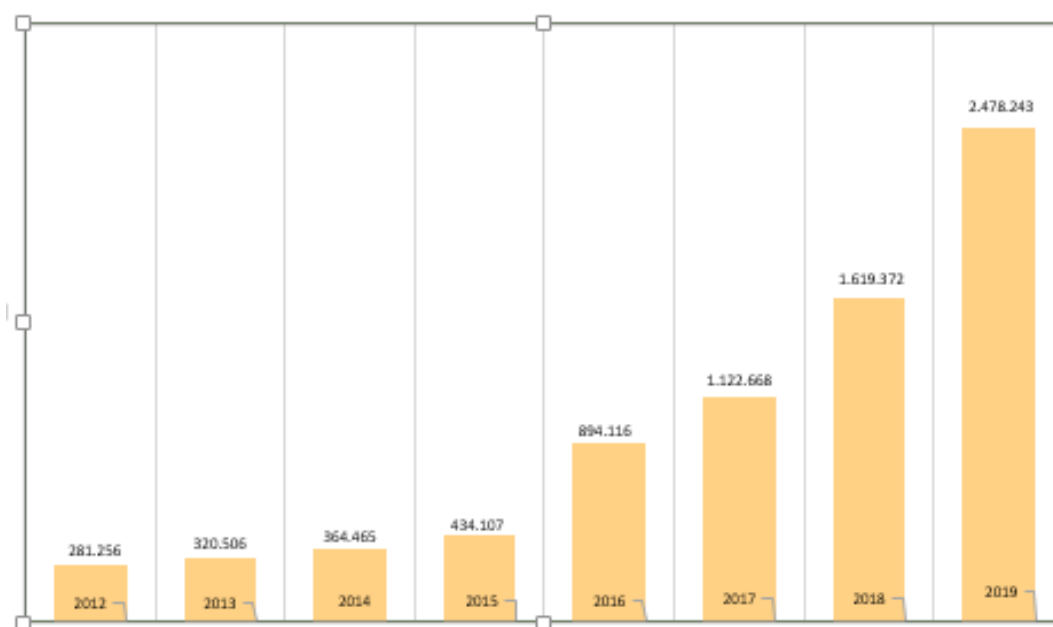
The Development Of Share Prices During 2010 To 2019 Fluctuated, And Did Not Match Some Expectations Of Shareholders. This Stock Price Development Does Not Indicate An Increase In Firm Value, Even Though A High Firm Value Is An Expectation For Shareholders. Firm Value Is Also Important In Order To Increase Investor Confidence, Especially Domestic Investors On The IDX (Stock Exchange). Domestic Investors Have A Big Role To Play In Strengthening The Domestic Stock Market, So The Stock Price Index (IHSG) Is Stable. Movement Of The Composite Stock Price Index (IHSG) Fluctuating, The Role Of Domestic Investors Is Very Important. In Holding Back The Fluctuation Of The Economic Crisis, The Number Of Domestic Investors Also Plays An Important Role (Nabhani, 2013). The Number Of Investors On The IDX (Stock Price) Is Still Small Compared To The Total Population Of Indonesia, As Shown In Figure 1. The Number Of Investors On The Indonesia Stock Exchange In 2019 Who Had Single Investor Identification (SID) Was 2,478,243 People. Single Investor Identification (SID) Is A Single Investor Identity, Which Used To Carry Out Activities On The Indonesian Capital Market, From Transactions To Settlement. This Single Investor Identification Is Issued By PT. Indonesian Central Securities Depository (KSEI). The Phenomenon Of Fluctuating Firm Value Requires Corporate Governance To Increase Investor Confidence, Especially Domestic Investors. The Role Of Domestic Investors Is Needed So That Dependence On Foreign Investors Can Be Reduced And Stock Price Fluctuations Can Be Controlled.

INTRODUCTION

The Development Of Share Prices During 2010 To 2019 Fluctuated, And Did Not Match Some Expectations Of Shareholders. This Stock Price Development Does Not Indicate An Increase In Firm Value,

Even Though A High Firm Value Is An Expectation For Shareholders. Firm Value Is Also Important In Order To Increase Investor Confidence, Especially Domestic Investors On The IDX (Stock Exchange). Domestic Investors Have A Big Role To Play In Strengthening The Domestic Stock Market, So The Stock Price Index (IHSG) Is Stable. Movement Of The Composite Stock Price Index (IHSG) Fluctuating, The Role Of Domestic Investors Is Very Important. In Holding Back The Fluctuation Of The Economic Crisis, The Number Of Domestic Investors Also Plays An Important Role (Nabhani, 2013). The Number Of Investors On The IDX (Stock Price) Is Still Small Compared To The Total Population Of Indonesia, As Shown In Figure 1. The

Number Of Investors On The Indonesia Stock Exchange In 2019 Who Had Single Investor Identification (SID) Was 2,478,243 People. Single Investor Identification (SID) Is A Single Investor Identity, Which Used To Carry Out Activities On The Indonesian Capital Market, From Transactions To Settlement. This Single Investor Identification Is Issued By PT.Indonesian Central Securities Depository (KSEI). The Phenomenon Of Fluctuating Firm Value Requires Corporate Governance To Increase Investor Confidence, Especially Domestic Investors. The Role Of Domestic Investors Is Needed So That Dependence On Foreign Investors Can Be Reduced And Stock Price Fluctuations Can Be Controlled.



Source: PT. Kustodian Sentral Efek Indonesia, www.Ksei.Co.Id

Figure 1. Single Investor Identification (SID) Growth 2012 – 2019

The Importance Of Firm Value And How To Maximize Firm Value Encourages Researchers To Examine Firm Value In Public Companies In Indonesia, Especially Companies Have Implemented Corporate Governance. Discussions About The Relationship Between Corporate Governance And Firm Value Can Be Explained By Agency Theory. Agency Theory Stated That When The Principal Employs An Agent (Management) To Manage The Company, It Will Have The Potential To Create Agency Conflicts, Because The Agent's Personal

Interests Are Different (Jensen And Meckling, 1976). Internal Devices Have Been Formed By Companies, Such As Corporate Governance Structures, Can Control Agency Problems Efficiently (Fama, 1980). The Opinion Of Tricker (2009) As Quoted By Lukviarman (2016) Explained That The Issue Of Corporate Governance Arises When A Corporate Entity, Which Is Formed Or Established And The Ownership Of The Entity Is Separated From The Management Who Will Manage The Corporation. Corporate Governance Controls The

Company With A Mechanism That Is In The Form. The Company's Financial Performance Increases With The Implementation Of Corporate Governance, Thereby Increasing Investor Confidence And Having An Impact On Increasing Firm Value (Singhal, 2014). This Is Important For Companies To Implement Corporate Governance In Increasing Firm Value, Because An Increase In Financial Performance Can Increase Firm Value. The Corporate Governance System In Indonesia Stems From A Proposal To Improve Listing Regulations On The Indonesia Stock Exchange Which Regulates Regulations For Issuers Listed On The Indonesia Stock Exchange Which Oblige To Appoint Independent Commissioners And Form An Audit Committee, After That Legally Formally, Starting With The Signing Of A Memorandum Of Understanding. Letter Of Intent By The Government Of The Republic Of Indonesia Together With The International Monetary Fund (IMF). This Was Followed

By The Formation Of The National Committee On Corporate Governance Policy (KNKCG) In 1999 And A Code Of Ethics For Its Implementation A Year Later (Lukviarman, 2016). The Chairman Of The Board Of Commissioners Of The Financial Services Authority (OJK) Said That The Application Of The Principles Of Good Corporate Governance (GCG) In Indonesia Is Relatively Behind Compared To Neighboring Countries. The Implementation Of Corporate Governance Does Not Appear To Be As Expected. Indonesia's Corporate Governance Score Is In The Last Rank In ASEAN Countries For 2012 To 2018 As Shown In Table 1. This Research Needs To Be Considering That Corporate Governance, Which Is Needed To Increase Firm Value. Meanwhile, The Development Of The Corporate Governance Ranking Of Public Companies In Indonesia Is Still Low In Asia.

Table 1. Corporate Governance Score 2010 - 2018

		2010	2012	2014	2016	2018
1	Australia	-	-	-	78	71
2	Singapore	67	69	64	67	60
3	Hong Kong	65	66	65	65	59
4	Japan	57	55	60	63	58
5	Taiwan	55	53	56	60	56
6	Thailand	55	58	58	58	55
7	Malaysia	52	55	58	56	54
8	India	49	51	54	55	54
9	Korea	45	49	49	52	46
10	China	49	45	45	43	41
11	Philippines	37	41	40	38	37
12	Indonesia	40	37	39	36	34

Source: Asian Corporate Governance Association (ACGA, 2020)

Market Confidence In Company Performance Has Results In Fluctuating Stock Prices (Brigham And Daves, 2011). Profitability Information Is Part Of

The Company's Financial Statements, Which Important Information For Management And Other Parties Who Need It, Such As Investors (Brigham And Houston, 2011).

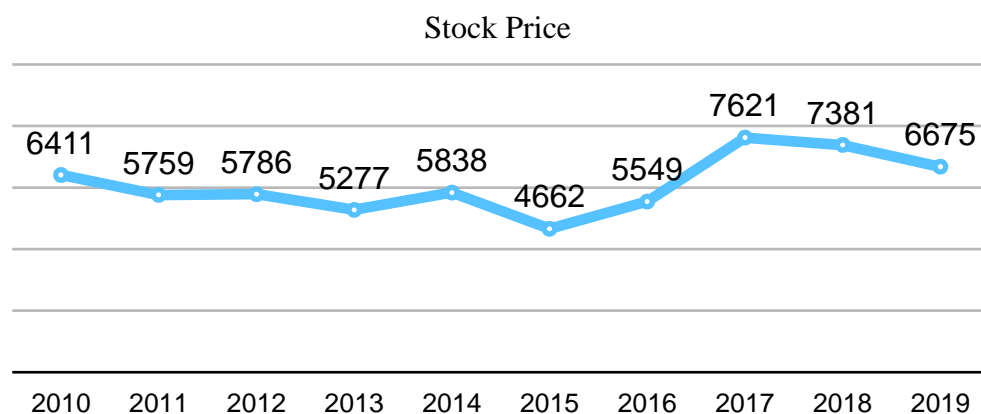


Figure 2. Development Of Average Share Prices Of Companies Implementing Corporate Governance

Source: Wwww.Idx.Co.Id

Several Previous Studies Examining The Relationship Between Corporate Governance And Firm Value Have Been Conducted In Several Countries, Including Indonesia, Taiwan, India, Russia, Canada, Turkey, Spain, England, America, And Malaysia With Mixed Results. Several Corporate Governance Proxies Are Used In Research, Including The Corporate Governance Index, Institutional Ownership, Ownership Structure, Independent Commissioners, Shareholder Rights, And Director Composition. The Results Shown That Corporate Governance Increases Firm Value (Connelly Et Al., 2012; Singhal, 2014; Villanueva-Villar Et Al., 2016). The Results Of Research By Ammann Et Al. (2011) Who Examined 22 Developed Countries Also Showed The Same Results, Corporate Governance Can Increase Firm Value. Furthermore, Mitton (2002) Was Examined Five East Asian Countries During The Asian Crisis. It Was Founded Corporate Governance Had A Positive Effect On Company Performance. Klapper And Love (2002) Examined 14 Developing Countries And Found That Corporate Governance Increases The Company's Profitability And Market Value.

TEORITICAL

CORPORATE GOVERNANCE

The Definition Of Corporate Governance Based On The Decree Of The Minister Of Soes Number Kep-117 / M-MBU / 2002 Is: "A Process And Structure Used By BUMN Organizations To Increase Business Success And Corporate Accountability In Order To Realize Long-Term Shareholder Value While Still Paying Attention To Stakeholder Interests, Based On Laws And Ethical Values".

A Corporate Governance Is The Process Of Decision Making And The Process By Which Decisions Are Implemented In Large Businesses Is Known As Corporate Governance. There Are Various Theories Which Described By The Relationship Between Various Stakeholders Of The Business, While Carrying Out The Activity Of The Business.

Shleifer & Vishny (1997) Stated That Corporate Governance As "The Ways In Which Suppliers Of Finance To Corporations Assure Themselves Of Getting A Return On Their Investment". OECD In 1999 Was Defined By Corporate Governance As A System, Which Business Corporations Are Directed And Controlled".

Corporate Governance Is The Broad Term Described With Some Processes, Customs, Policies; Laws And Institutions, That Direct The Organizations And Corporations In The Way, They Act Administer And Control

Their Operations. Corporate Governance Is A Set Of Regulations And The Corporate Governance Has Traditionally Specified The Rules Of Business Decision Making That Apply To The Internal Mechanisms Of Companies (Bostan & Grosu, 2010; Güler & David, 2010).

PROFITABILITY

Munawir (2007) Said That Profitability Is A Company's Ability To Generate Profits". According To Sudana (2011) Stated That A Profitability Is "The Ability Of A Company To Generate Profits By Using Owned Sources Such As Assets, Capital, Or Company Sales.

A Profitability Of A Company Shown That The Ratio Between Profit And Assets Or Capital With Produces This Profit. In Other Words, Profitability Is An Ability Of A Company To Achieve Profit. The Profitability Of A Company Will Affect To The Policies Of Investors On The Investment Made.

An Ability Of A Company To Generate Profits Will Be Able To Attract Investors To Invest Their Funds In Order To Expand Their Business, On The Other Hand, A Low Level Of Profitability Will Cause Investors To Withdraw Their Funds. As For The Company Itself, Profitability Can Be Used As An Evaluation Of The Effectiveness For Management On The Business Entity.

Company Profitability Is One Of The Bases For Assessing The Condition Of A Company, That We Need An Analytical Tool To Be Able To Assess It. Thus, Every Business Entity Will Always Try To Increase Its Profitability, Because The Higher The Level Of Profitability Of A Business Entity, The Survival Of The Business Entity Will Be More Secure.

According To R. Agus Sartono (2010, 122) Discussed That A Profitability Is The Company's Ability To Earn Profits In Relation To Sales, Total Assets, And Own Capital. According To Sutrisno (2009, 16) Said That A Profitability Is The Ability Of A Company To Generate Profits With All The Working Capital In It. According To Sofyan Syafri Harahap (2009, 304) Preferred That Profitability Described With The Company's Ability To Earn Profits Through All Existing Capabilities And Resources Such As Sales Activities, Cash, Capital, Number Of Employees, Number Of Company Branches, And So On.

COMPANY SIZE

According To Consoladi Et Al., In Oktaviani (2014) Stated That: "Company Size Can Affect A Social Performance Of The Company Because Large Companies Have A Further Perspective, So They Participate More In Grown The Company's Social Performance".

The Fundamental Understanding In This Theory Is Firm Size With The Determinant By The Market's Size. Additionally, It Is Understood That The Focus Is On The Firm's Specialization In That Larger Firms Are Supported By Larger Markets, Which In Turn Enhances Their Specialization.

A Theory Of The Firm Was Consists Of A Number On Economic Theories That Explain And Predict The Nature Of The Firm, Company, Or Corporation, Including Its Existence, Behavior, Structure, And Relationship To The Market.

In Simplified Terms, The Theory Of The Firm Aims To Answer These Questions:

1. Existence. Why Do Firms Emerge? Why Are Not All Transactions In The Economy Mediated Over The Market?
2. Boundaries. Why Is The Boundary Between Firms And The Market Located Exactly There With Relation To Size And Output Variety? Which Transactions Are Performed Internally And Which Are Negotiated On The Market?

3. Organization. Why Are Firms Structured In Such A Specific Way, For Example As To Hierarchy Or Decentralization? What Is The Interplay Of Formal And Informal Relationships?
4. Heterogeneity Of Firm Actions/Performances.^[2] What Drives Different Actions And Performances Of Firms?
5. Evidence. What Tests Are There For Respective Theories Of The Firm?

Firms Exist As An Alternative System To The Market-Price Mechanism When It Is More Efficient To Produce In A Non-Market Environment. For Example, In A Labor Market, It Might Be Very Difficult Or Costly For Firms Or Organizations To Engage In Production When They Have To Hire And Fire Their Workers Depending On Demand/Supply Conditions. It Might Also Be Costly For Employees To Shift Companies Every Day Looking For Better Alternatives. Similarly, It May Be Costly For Companies To Find New Suppliers Daily. Thus, Firms Engage In A Long-Term Contract With Their Employees Or A Long-Term Contract With Suppliers To Minimize The Cost Or Maximize The Value Of Property Rights

FIRM VALUE

According To Sujoko And Soebiantoro (2007) In Hermuningsih (2009) Discussed That Firm Value Is An Investor's Perception Of A Company's Success Rate, Which Is Closely Related To Its Share Price. High Stock Prices Create High Firm Value, And Increase Market Confidence Not Only In The Company's Current Performance, But Also In The Company's Future Prospects. The Stock Price Has Been Used Closing Price, And Occurs When The Shares Are Traded On The Market (Fakhrudin And Hadianto, 2001).

The Value Of The Company (Value Of The Firm) Is A Certain Condition That Has Been Achieved By A Company As A Reflection Of Public Trust In The Company After Going Through A Process Of Activity For Several Years, Such From The Time A Company Was Founded Until Now.

Firm Value Is Very Important For Investors. Sujoko And Soebiantoro (2007) Suggested That Firm Value Is The Investor's Perception Of The Company's Success Rate Which Is Often Associated With Stock Prices. Therefore, Before Making A Decision To Buy Shares, Generally An Investor Will Look For An Estimate Of The Company's Value (Tandelilin, 2010: 363).

INTELLECTUAL CAPITAL

Johanson Et Al., (2009) Stated That Intellectual Capital Can Relate To Other Disciplines Such As Corporate Strategy And Production Of Measurement Tools. From A Strategic Perspective, Intellectual Capital Can Be Used To Create And Use Knowledge To Expand Other Companies. On The Other Hand, The Measurement Side Focuses On How A New Reporting Mechanism Can Be Developed That Can Measure Non-Financial, Qualitative Information, And Items Of Intellectual Capital In Addition To Traditional Quantification Of Financial Data. Many Models Of Intellectual Capital Are Used By Researchers, But In General Researchers Identify Three Main Constructs Of Intellectual Capital, Such As Human Capital, Structural Capital, And Customer Capital.

METHODOLOGY

The Type Of Data Is Quantitative Data With Secondary Data, Which Is Taken From The Annual Reports Of Public Companies In Indonesia From 2012 To 2019. The Company's Annual Reports Include: Annual Reports, Corporate Governance Reports, And Financial Reports. All Data Is Taken From ICMD Publications, The Indonesia Stock Exchange Website, Company Websites, And Other Media ([Http://Finance.Yahoo.Com](http://Finance.Yahoo.Com) And [Http://Ticmi.Com](http://Ticmi.Com)). The Research Approach Used Is Partial Least Square (PLS) With Analysis Using The Warppls Software.

This Population Was All Publicly Traded Companies In Indonesia, With The Population Criteria As Follows:

- A. The Company Is Listed On The Indonesian Stock Exchange (IDX) Until 2019.
- B. Publish A Corporate Governance Report Contained In The Annual Report For 2012 - 2019 And Can Be Accessed Through The Indonesia Stock Exchange (IDX) Website And The Company's Official Website.
- C. The Company Presents Complete Financial Reports For 2012 - 2019 In Rupiah Currency, This Criterion Is Intended, Researchers Do Not Make Adjustments That Are Feared To Cause Miscalculations And Interpretations.

Table 2. Research Sample Selection Results

Noted	Company Amount
The Company Is Listed On The Indonesian Stock Exchange Until 2018	612
The Company Did Not Publish A Corporate Governance Report Until 2018	(566)
Number Of Sample Companies	46
Number Of Data / Company Observations (2012 - 2018)	322

Source: BEI, April 2021 And Company Website

MEDIATION ANALYSIS USING PLS

Solimun (2011) Was Examined With The Testing Of Mediating Or Intervening Variables. In Mediation Testing, Some Researchers Use SEM Or PLS Analysis Techniques (Hair Et Al., 2014). Testing For Mediation Is Not Sufficient Only If It Is Based On A Model Analysis Involving The Mediating Variable. The Results Of This Analysis Indicate A Variable As A Mediating Variable, But It Is Not Necessarily True.

DATA ANALYSIS METHOD

Descriptive Statistics

Descriptive Statistics Are Used In This Study To Describe The Characteristics Of The Research Variables, So That They Are Easy To Understand And Interpret. This Analysis Is Used To Analyze Data By Describing Or Describing The Collected Data As Is Without The Intention Of Making General Or Generalized Conclusions, Which Include Maximum, Minimum, And Average Values. Based On The Value Obtained, Then An Analysis Is Carried Out Which Aims To Reveal The Phenomena Contained In Each Variable Used In This Study, Namely Corporate Governance, Profitability, Company Size, Intellectual Capital And Firm Value.

Inferential Statistics

This Study Uses Inferential Statistical Analysis, Which Is An Analysis Conducted To Test The Research Hypotheses That Have Been Formulated. The Approach Used Is Partial Least Square (PLS) With Analysis Using

The Warppls Software. The Reason For Using Partial Least Square (PLS) Is That There Are Several Hypotheses That Do Not Have A Solid Theoretical Basis. The Research Hypothesis Is Related To The Mediating Variables In The Influence Of Corporate Governance And Corporate Social Responsibility On Firm Value. PLS Can Be Used To Test The Causal Relationship Of Research Variables That Have Not Much Theoretical Support Or The Research Is Explanatory (Ghozali And Latan, 2014). Another Reason Is That PLS Is Able To Analyze Constructs With Reflective And Formative Indicators (Hair Et Al., 2014).

Sobel Test Is A Tool In Mediation Analysis Testing. From The Results Of The PLS Analysis, The Path Coefficient A Along With The Standard Error And The Path Coefficient A (Or Called Sa) Are Obtained, And The Path Coefficient B (Or Called Sb) Is Obtained. The Sobel Test Will Produce A Standard Error Of The Indirect Effect Of X On Y Through The Mediation Of M, Namely The Coefficient Ab, With The Standard Deviation Of Ab As Follows:

$$s_{ab} = \sqrt{b^2 s_a^2 + a^2 s_b^2}$$

$$Z_{hitung} = \frac{a \times b}{\sqrt{b^2 s_a^2 + a^2 s_b^2}}$$

From The T Count Value, The P Value Is Obtained. If The P-Value < 0.05 Indicated That The Mediating Effect Of The M Variable On Testing The Relationship Between X And Y.

RESULTS

Description Of Research Variables

This Study Was Used With Five Latent Variables With A Total Of Nine Indicators And To Measure The Latent Variables. The Following Shown The Results Of A Description Of The Research Variables Using The Average Value And Standard Deviation.

Table 3. Results Of The Descriptions Of Research Variables

	N	Mini- mum	Maxi- mum	Mean	Std. Devia- tion
HPS	322	.3	1.0	.909	.1186
PAPS	322	.5	1.0	.827	.1172
PPK	322	.5	1.0	.909	.1252
Pnt	322	.5	1.0	.829	.0798
Tjdnd	322	.0	.9	.791	.1027
P	322	-.1	.7	.096	.1065

C	322	28.3	34.8	31.222	1.3463
Intellectual Capital	322	-.9	16.3	3.307	1.8253
Tobinsq	322	.5	27.7	2.513	3.4882
Valid N (List-wise)	322				

Source: Research Data Processed (2021)

The Corporate Governance Variable Was Measured With Five Indicators, Such As Shareholder Rights (HPS), Fair Treatment For Shareholders (PAPS), Stakeholder Roles (PPK), Disclosure And Transparency (P&T), And Responsibilities Of The Board Of Commissioners And Directors (TJD & D). The Results Of The Description Of Shareholder Rights (HPS) Was Obtained An Average Of 0.909 With A Standard Deviation Of 0.1186, A Description Of The Fair Treatment For Shareholders (PAPS), Obtained An Average Of 0.827 With A Standard Deviation Of 0.1172, Description The Role Of Stakeholders (PPK) Obtained An Average Of 0.909 With A Standard Deviation Of 0.1252, The Description Of Disclosure And Transparency (P&T) Obtained An Average Of 0.829 With A Standard Deviation Of 0.0798, And A Description Of The Responsibilities Of The Board Of Commissioners And Directors (TJD & D). Obtained An Average Of 0.791 With A Standard Deviation Of 0.1027.

The Results Of The Description Of The Profitability Were Obtained An Average Of 0.096 With A Standard Deviation Of 0.1065. The Company Size Variable Is Measured Using One Indicator. The Results In The Company Size Also Obtained An Average Of 31.222 With A Standard Deviation Of 1.3463. The Intellectual Capital Variable Was Measured Using One Indicator. The Results Of Intellectual Capital Were Obtained An Average Of 3.307 With A Standard Deviation Of 1.8253. The Firm Value Variable Is Measured Using One Indicator, Such Tobins Q. The Results Of The Description Of Tobins Q Obtained An Average Of 2.513 With A Standard Deviation Of 3.4882.

Outer Model Test Results

The Results Of The Outer Model Test For Formative Measurements Were Carried Out Using The Convergent Validity Test And The Discriminant Validity Test. Convergent Validity Testing Is Shown From The P-Value Of Each Indicator, Provided That The P-Value Is Less Than 0.05 (P-Value < 0.05) Indicated That The Indicator Is Valid. The Discriminant Validity Test Is Shown From The Multicollinearity Test Of Each Indicator, Provided That The VIF Value Is Less Than 5 (VIF < 5), There Is No Multicollinearity Problem Between Indicators.

Table 4. Outer Model Test Results

* Indicator Weights *										

	Corporate Governance			P	C	Intellectual Capital		Firm	Value	
	Type (A	SE		P Value	VIF	WLS	ES			
HPS	0.211	0.000	0.000	0.000	0.000	Formati	0.054	<0.001	1.108	1
	0.096									
PAPS	0.315	0.000	0.000	0.000	0.000	Formati	0.053	<0.001	1.285	1
	0.215									
PPK	0.302	0.000	0.000	0.000	0.000	Formati	0.053	<0.001	1.272	1
	0.198									
Pnt	0.303	0.000	0.000	0.000	0.000	Formati	0.053	<0.001	1.313	1
	0.200									
Tjdnd	0.366	0.000	0.000	0.000	0.000	Formati	0.053	<0.001	1.518	1
	0.292									
P	0.000	1.000	0.000	0.000	0.000	Formati	0.048	<0.001	0.000	1
	1.000									
C	0.000	0.000	1.000	0.000	0.000	Formati	0.048	<0.001	0.000	1
	1.000									
Intellectual Capital		0.000	0.000	0.000	1.000	0.000	Formati	0.048	<0.001	
	0.000	1	1.000							
Tobinsq		0.000	0.000	0.000	0.000	1.000	Formati	0.048	<0.001	0.000
	1	1.000								

Source: Research Data Processed (2021)

The Corporate Governance Variable Was Measured Using Five Indicators, Such As Shareholder Rights (HPS), Fair Treatment Of Shareholders (PAPS), Role Of Stakeholders (PPK), Disclosure And Transparency (P&T), And Responsibilities Of The Board Of Commissioners And Directors (TJD & D). The Results Of The Convergent Validity Test With The Formative Measurement Model Shown That The P-Value Of Each Indicator Is Less Than 0.05 (P-Value < 0.05).

It Was Stated That The Indicator Of Shareholder Rights (HPS), Fair Treatment For Shareholders (PAPS), The Role Of Stakeholders (PPK), Disclosure And Transparency (P&T), And The Responsibilities Of The Board Of Commissioners And Directors (TJD & D) Met The Convergent Validity Criteria In Measuring Corporate Governance Variables. The Results Of The Discriminant Validity Test With The VIF Value Of Each Indicator Were 1.108, 1.285, 1.272, 1.313, And 1.518 Which Indicated That The VIF Value Was Less Than 5 ($VIF < 5$) Indicated That There Was No Multicollinearity Problem Between Indicators.

The Variables Of Profitability, Company Size, Intellectual Capital, And Firm Value Are Each Measured Using 1 Indicator. The Results Of The Convergent Validity Test Using The Formative Measurement Model Shown That The P-Value Of Each Indicator Is Less Than 0.05 ($P\text{-Value} < 0.05$). It Was Stated That The Indicators Of Profitability, Company Size, Intellectual Capital, And Firm Value. The Convergent Validity Criteria In Measuring The Profitability, Company Size, Intellectual Capital, And Firm Value Variables. The Results Of The Discriminant Validity Test With A VIF Value Of Each Indicator Of 0.000, Which Indicates A VIF Value Of Less Than 5 ($VIF < 5$) Indicated That There Is No Multicollinearity Problem Between Indicators.

Model Fit Test Results

The Results Of The Fit Model Test Are The Average Path Coefficient (APC) Significance Value, The Average R-Squared (ARS) Significance Value, The Average Adjusted R-Squared (AARS) Significance Value, And The Average Full Collinearity VIF (Afirm Valueif) Value.

Table 5. Model Fit Test

Average Path Coefficient (APC)=0.219, $P < 0.001$
Average R-Squared (ARS)=0.507, $P < 0.001$
Average Adjusted R-Squared (AARS)=0.501, $P < 0.001$
Average Block VIF (AVIF)=1.215, Acceptable If ≤ 5 , Ideally ≤ 3.3
Average Full Collinearity VIF (Afirm Valueif)=2.005, Acceptable If ≤ 5 , Ideally ≤ 3.3
Tenenhaus Gof (Gof)=0.670, Small ≥ 0.1 , Medium ≥ 0.25 , Large ≥ 0.36
Sympson's Paradox Ratio (Sprofitability)=0.857, Acceptable If ≥ 0.7 , Ideally = 1
R-Squared Contribution Ratio (RSCR)=0.978, Acceptable If ≥ 0.9 , Ideally = 1
Statistical Suppression Ratio (SSR)=1.000, Acceptable If ≥ 0.7
Nonlinear Bivariate Causality Direction Ratio (NLBCDR)=0.857, Acceptable If ≥ 0.7

Inner Model Test Results

The Inner Model Test Results Were Included The Coefficient Of Determination (R-Square). The Results Of These Tests On The Variables Including Corporate Governance, Profitability, Company Size, Intellectual Capital, And Firm Value.

Table 6. Result Of The Coefficient Of Determination

R-Squared Coefficients				

	P	C	Intellectual Capital	Firm Value
Corporate Governance	0.321	0.692		

Source: Research Data Processed (2021)

The Results Of The Coefficient Determination For The Impact On Intellectual Capital Obtained An R-Square Value Of 0.321, Which Means That The Impact On Intellectual Capital Can Be Explained By 32.1 Percent By Corporate Governance, Profitability, Company Size, While The Rest Was Explained By Other Factors Outside Of Research. The Results Of The Coefficient Determination For The Impact On Firm Value Obtained R-Square Value Of 0.692, Which Means That The Impact On Firm Value Can Be Explained By 69.2 Percent By Corporate Governance, Profitability, Company Size, Intellectual Capital, While The Rest Was Explained By Other Factors Outside Of Research.

Table 7. Hypothesis Testing Results

No.	EFFECT BETWEEN VARIABLES	Coefficient	P-Value	Results
1	Corporate Governance → Firm Value	-0.160	0.002	Accepted
2	Profitability → Firm Value	0.832	0.000	Accepted
3	Company Size → Firm Value	-0.009	0.439	Rejected
4	Intellectual Capital → Firm Value	-0.154	0.003	Accepted
5	Corporate Governance → Intellectual Capital	-0.159	0.005	Accepted
6	Profitability → Intellectual Capital	0.563	0.000	Accepted
7	Company Size → Intellectual Capital	-0.158	0.001	Accepted

8	Corporate Governance → Intellectual Capital → Firm Value	0.024	0.046	Accepted
9	Profitability → Intellectual Capital → Firm Value	-0.087	0.007	Accepted
10	Company Size → Intellectual Capital → Firm Value	0.024	0.045	Accepted

Source: Research Data Processed (2021)

Based On Testing The Latent Variable Model, It Was Grouped Into Two Groups, Such As Exogenous Variables And Endogenous Variables. The Exogenous Variables Are Corporate Governance, Profitability, And Company Size. Endogenous Variables Such As The Intellectual Capital And Firm Value Variables. The Model Is Said To Be Good If The Development Of A Hypothetical Model, Which Is Theoretically Supported By Empirical Data. Testing The Results Of The Analysis With Partial Least Square (PLS) In Known The Effect Between Variables In Full Can Be Seen In The Following Figure:

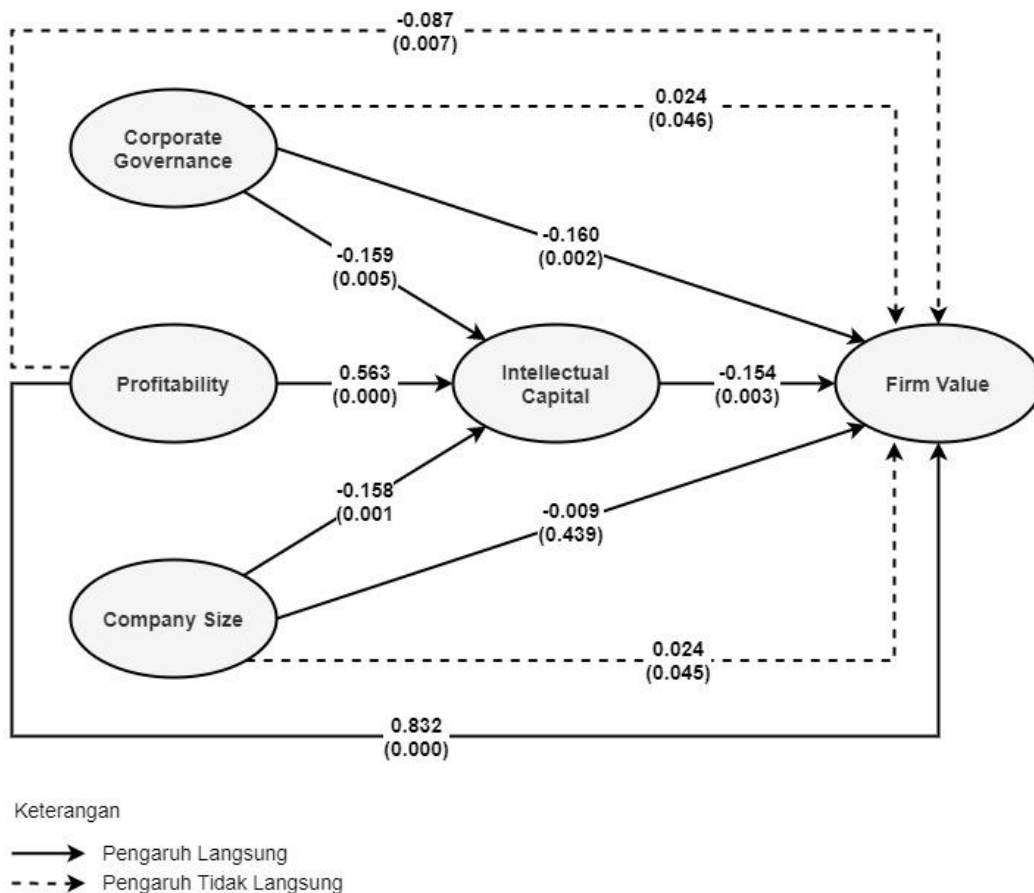


Figure 3. Research Model With Partial Least Square

The Results Of Hypothesis Testing Are Presented As Follows:

H1: Corporate Governance Affects To Firm Value

A Hypothesis For The Effect Between Corporate Governance Variable And Firm Value Variable Obtained A Path Coefficient Of -0.160 With A P-Value Of 0.002 ($P < 0.05$), So The Corporate Governance Variable Has A Significant Negative Effect On Firm Value Variable, Means That The Higher Corporate Governance Will Affect The Lower Of Firm Value. These Results Indicated That The Hypothesis Is Accepted.

H2: Profitability Has An Impact To Firm Value

A Hypothesis Of The Effect Between Profitability Variable And Firm Value Variable Obtained A Path Coefficient Of 0.832 With A P-Value Of 0.000 ($P < 0.05$), So The Profitability Variable Has A Significant Positive Effect On The Firm Value Variable, Means That If Profitability Will Be High, So Increase A Firm Value. These Results Indicated That The Hypothesis Is Accepted.

H3: Company Size Has An Impact To Firm Value

A Hypothesis Of The Effect Between Company Size Variable And Firm Value Variable Obtained A Path Coefficient Of -0.009 With A P-Value Of 0.439 ($P > 0.05$), Because The Company Size Variable Has A Negative But Not Significant Effect On The Firm Value Variable, Means That The Higher The Company Size Is Not Will Affect To Firm Value. These Results Indicated That The Hypothesis Is Rejected.

H4: Intellectual Capital Has An Impact To Firm Value

A Hypothesis For The Effect Between Intellectual Capital Variable On The Firm Value Variable Obtained A Path Coefficient Of -0.154 With A P-Value Of 0.003 ($P < 0.05$), So The Intellectual Capital Variable Has A Significant Negative Effect On The Firm Value Variable, Means That The Higher Intellectual Capital Will Have An Effect On The Lower The Firm Value. These Results Indicated That The Hypothesis Is Accepted.

H5: Corporate Governance Has An Impact To Intellectual Capital

A Hypothesis For The Effect Between Corporate Governance Variables And The Intellectual Capital Variable Obtained A Path Coefficient Of -0.159 With A P-Value Of 0.005 ($P < 0.05$), So The Corporate Governance Variable Has A Significant Negative Effect On The Intellectual Capital Variable, Means That The Higher Corporate Governance Will Have An Effect On The Lower The Intellectual Capital. These Results Indicated That The Hypothesis Is Accepted.

H6: Profitability Has An Impact To Intellectual Capital

A Hypothesis For The Effect Between Profitability Variable And Intellectual Capital Variable Obtained A Path Coefficient Of 0.563 With A P-Value Of 0.000 ($P < 0.05$), So Profitability Variable Has A Significant Positive Effect On The Intellectual Capital Variable, Means That The Higher The Profitability Will Have An Effect To The Higher The Intellectual Capital. These Results Indicated That The Hypothesis Is Accepted.

H7: Company Size Has An Impact To Intellectual Capital

A Hypothesis For The Effect Between The Company Size Variable On The Intellectual Capital Variable Obtained A Path Coefficient Of -0.158 With A P-Value Of 0.001 ($P < 0.05$), So A Company Size Variable Has A

Significant Negative Effect On The Intellectual Capital Variable, Means That The Higher The Company Size Will Have An Effect On The Lower The Intellectual Capital. These Results Indicated That The Hypothesis Is Accepted.

H8: Corporate Governance Has An Impact To Firm Value Through Intellectual Capital

A Hypothesis For The Effect Between Corporate Governance Variables On The Firm Value Variable Through Intellectual Capital Obtained A Path Coefficient Of 0.024 With A P-Value Of 0.046 ($P < 0.05$), So The Corporate Governance Variable Has A Significant Positive Effect On The Firm Value Variable Through Intellectual Capital, Means That It Is Higher. Corporate Governance Will Have An Effect On The Higher Firm Value Through Intellectual Capital. These Results Indicated That The Hypothesis Is Accepted.

H9: Profitability Has An Impact To Firm Value Through Intellectual Capital

A Hypothesis For The Effect Between Profitability Variable On The Firm Value Variable Through Intellectual Capital Obtained A Path Coefficient Of -0.087 With A P-Value Of 0.000 ($P < 0.05$), So Profitability Variable Has A Significant Negative Effect On The Firm Value Variable Through Intellectual Capital, Means That Higher The Profitability. It Will Be Affect The Lower Firm Value Through Intellectual Capital. These Results Indicated That The Hypothesis Is Accepted.

H10: Company Size Affects Firm Value Through Intellectual Capital

A Hypothesis For The Effect Between The Company Size Variable And Firm Value Variable Through Intellectual Capital Obtained A Path Coefficient Of 0.024 With A P-Value Of 0.045 ($P < 0.05$). So, The Company Size Variable Has A Significant Positive Effect On The Firm Value Variable And Intellectual Capital, Means That It Is Higher. Company Size Will Have An Effect On The Higher Firm Value Through Intellectual Capital. These Results Indicated That The Hypothesis Is Accepted.

CONCLUSION

Corporate Governance And Company Size Have A Significant Negative Effect On Intellectual Capital, Which Indicated That A Higher The Corporate Governance And The Company Size, The Lower The Intellectual Capital Of The Company. While, A Profitability Has A Significant Positive Effect On Intellectual Capital, Which Shown That A Higher The Profitability, The More Impact It Will Be High Intellectual Capital Of The Company.

Corporate Governance And Intellectual Capital Have A Significant Negative Effect On Firm Value, Which Indicated That Higher The Corporate Governance And Intellectual Capital, The Lower The Firm Value, While Profitability Has A Significant Positive Effect On Firm Value, Which Indicated That A Higher The Profitability, The More Impact It Will Be High Firm Value Of The Company.

LIMITATION

This Research Study Has A Limitation Such A Sample And Population With Only Limited Data Research Object, Like Annual Reports Of Public Companies In Indonesia From 2012 To 2019.

SUGGESTION

This Research Is Limited To One Specific Case, Different Research Objects Are Needed In Order To Be Able To Test And Study Further. So, As To Deepen Knowledge About The Next Research In Shariah Stock Exchange With Another Method Or Analysis.

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