

## INFLUENCE OF WORKING CAPITAL AND INTELLECTUAL CAPITAL ON FIRM VALUE WITH GCG AS MODERATING VARIABLE

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### *ABSTRACT*

The purpose of this study was to determine the effect of Working Capital and Intellectual Capital on Firm Value with Good Corporate Governance as moderating variable. The population used in this study are energies companies which are listed on the Indonesia Stock Exchange 2018 – 2022. The sampling method is purposive sampling technique with data processing using Eviews 12 software. The result showed that Working Capital has a positive effect on Firm Value. Intellectual Capital has a negative effect on Firm Value. Working Capital and Intellectual Capital simultaneously has a positive effect on Firm Value. Good Corporate Governance can mediate Working Capital to Firm Value. Good Corporate Governance can mediate Intellectual Capital to Firm Value.

**Keywords** : Firm Value; Good Corporate Governance; Intellectual Capital; Working Capital

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## I. INTRODUCTION

When investors decide to invest in a company, one of the considerations investors use is measuring the firm value. Firm value is very important to evaluate and assess in investment decisions, both for investors, creditors and stakeholder groups. Company value is investors' perception of the company which is usually linked to share prices. With a high share price, a company will gain trust from the market and investors regarding the company's performance and also the company's future growth (Tanapuan et al., 2022).

There are many factors that can influence company value, such as working capital. Working capital is the amount of funds used with the aim of financing the company's daily operational activities (Riyanto, 2010). Sufficient working capital will not cause the company to experience financial difficulties because this adequacy can make the company's operational activities run smoothly and the company can also pay its obligations.

In practice, a company that has many competitors in its field certainly needs an advantage that makes it different from its competitors, and if companies want to utilize these advantages, companies use intellectual capital. Intellectual capital is an intangible

asset owned by a company. Intellectual capital includes resources related to knowledge, innovation, skills, creativity, and competencies possessed by individuals in the company.

Good Corporate Governance (GCG) is used in this research as a factor that can moderate the relationship between working capital and intellectual capital on company value. The implementation of GCG in a company can help a company to increase its company value through proper management in accordance with applicable principles.

Based on previous research, the influence of working capital and intellectual capital on company value is still carried out separately. This study aims to conduct research by combining these two variables and look forward to their influence on firm value.

Therefore, this research added testing of the moderating variable. This study aims to test firm value which is a benchmark for determining the success of good corporate governance in moderating the influence of working capital and intellectual capital on company value.

### Literature Review

Signaling theory was discovered by Spence (1973) which stated that the company as the sender gives a signal to the user of the

financial report as the recipient. This signal usually takes the form of information about what management has done to realize the wishes of the company owner or other information that states that the company is better than other companies. Signal theory has a relationship with working capital because the higher working capital will be a positive signal for investors because a company's high working capital indicates that the company tends to have a high production capacity so that the company has the potential to gain higher profits as well.

The Resource Based View (RBV) theory was introduced by Warnerfelt in 1984 from an article entitled "A Resource-based view of the firm". This theory emphasizes that companies must identify and manage their resources well and make this a competitive advantage for a company. This theory shows that company performance can be more optimal if it has a competitive advantage so that it can generate value for the company (Wulandari & Purbawati, 2020).

RBV theory has a relationship with intellectual capital, namely because the main purpose of intellectual capital is to create added value for the company by utilizing resources in the form of knowledge to creativity, which is in accordance with the principles of RBV theory, namely that companies must be able to manage the resources they have appropriately in order to create

excellence. compete differently from its competitors.

Stakeholder theory was discovered by Robert Edward Freeman (1984) which stated that companies not only operate for their own interests, but companies must also provide benefits to stakeholders. Stakeholder theory has a relationship with Good Corporate Governance (GCG), namely because there is a connection between this theory and good corporate management by the company. This theory explains that companies have a responsibility for the company to be able to provide benefits to stakeholders, including increasing company value.

Working capital is the amount of funds used by a company to finance daily activities, such as purchasing raw materials, paying employee wages, paying debts, and to finance other needs related to company operations (Marda, 2019). With sufficient working capital, companies can operate more efficiently and not experience financial difficulties (Putri et al., 2019).

H<sub>1</sub>: Working capital has positive influence on firm value.

Intellectual capital is knowledge that provides information about a company's intangible assets which gives the company the ability to survive in business competition and have an advantage over competitors (Puspita & Wahyudi, 2021). The existence of intellectual capital in a company creates added value which allows the company to improve its performance so that the

value of the company will also increase. (Putri & Miftah, 2021).

H2: Intellectual capital has positive influence on firm value.

Working capital helped companies to manage their funding on companies daily operations and intellectual capital also helped companies to create innovation to give companies better results than their competitors. Both of them are should be prioritize and should be run simultaneously.

H3: Working capital and intellectual capital simultaneously have positive influence on firm value.

The implementation of good corporate governance in a company can have an effect on increasing firm company. (Putra et al., 2022) stated that better corporate governance will make the company more efficient in carrying out its operations so that it will have an effect on increasing profits and firm value. Working capital and intellectual capital are important components that need to be maintain with good governance to make sure both will give advantages to firm value.

H4: GCG moderates influence of working capital on firm value.

H5: GCG moderates influence of intellectual capital on firm value

## II. RESEARCH METHOD

The method used in this study is a descriptive method using a quantitative approach. This study using secondary data. The population in this study is all energies companies listed on the Indonesia Stock Exchange (IDX) for the 2018 -

2022 period. The sampling method used in this study is purposive sampling, which is a sample determination technique with certain criteria (Hikmawati, 2020). The population obtained were 86 companies, samples obtained were 26 sample companies with a period of 5 years which the number of data used in this study was 130 observational data.

### Data Analysis

This study uses secondary data, which refers to data collected using documentation techniques by researching various documents like annual reports and financial reports. The analysis in this study use panel data regression which is a combination of time series data and cross section data. Panel data regression model used in this study:

$$Y_{it} = a + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 Z_{3it} + e$$

Means:  $Y_{it}$  (Firm Value),  $X_{1it}$  (Working Capital),  $X_{2it}$  (Intellectual Capital),  $Z_{3it}$  (Good Corporate Governance)

## III. RESULTS AND DISCUSSION

### Panel Data Regression Model

To get the right research model in the panel data regression analysis, this study need to determine the optimal model that will be use between Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (FEM). the following tests were carried out:

Effects Test	Statistic	d.f.	Prob.
Cross-section F	27.865859	(25,101)	0.0000
Cross-section Chi-square	268.650847	25	0.0000

**Table 1.** Chow Test

Source: EViews

Based on the image 1 above, section F is 0.0000 and the p-value of cross section Chi-Square is 0.0000 which

it can be seen that the p-value of cross-Means both are smaller than the significance level of  $\alpha = 5\%$  ( $0.0000 < 0.05$ ) which  $H_a$  is accepted.

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	41.768626	3	0.0000

**Table 2.** Hausman Test

Source: Eviews

Based on table 2 above, a random cross-section Probability value of 0.0000, which means that the probability value of a random cross-section is smaller than the significance level of  $\alpha = 5\%$  ( $0.0000 < 0.05$ ) which  $H_a$  is rejected. So the panel model used is Fixed Effect Model.

**Classical Assumptions Test**

Classical assumption test that was carried out in this research were the Multicollinearity test and the Heteroscedasticity test.

	WC	IC	GCG
WC	1.000000	-0.112640	0.073768
IC	-0.112640	1.000000	0.235683
GCG	0.073768	0.235683	1.000000

**Table 3.** Multicollinearity Test

Source: EViews

Based on the image 3 above, it can be seen that there are no independent variables that have a value of more than 0.9, which can be concluded that there is no multicollinearity in the regression model. This multicollinearity test aims to see if there is an influence between each independent variables.

F-statistic	0.779172	Prob. F(3,22)	0.5182
Obs*R-squared	2.497192	Prob. Chi-Square(3)	0.4758
Scaled explained SS	16.63982	Prob. Chi-Square(3)	0.0008

**Table 4.** Heteroscedasticity Test

Source: EViews

Based on the image 4 above, Prob. Chi-square(3) of  $0.4758 > \alpha$  0.05, which can be concluded that there is no heteroscedasticity in the regression model.

**Hyphotesis Test**

Hypothesis test that was carried out in this research were T test, F test and Adjusted R-squared.

**Table 5.** t-Test (Significance Test)

Source: EViews

Based on image 5 above, it can be concluded as follows:

1. Prob. WC  $0.0167 < 0.05$ , which can be concluded that working capital variables has a positive influence on firm value.  $H_1$  is accepted.
2. Prob. IC  $0.2655 > 0.05$ , which be concluded that intellectual capital variables has a negative influence on firm value.  $H_2$  is rejected.
3. Prob. WC\*GCG  $0.0022 < 0.05$ , which can be concluded that good corporate governance moderates working capital on firm value.  $H_4$  is accepted.
4. Prob. IC\*GCG  $0.0215 < 0.05$ , which can be concluded that good corporate governance moderates intellectual capital on firm value.  $H_5$  is accepted.

R-squared	0.902153
Adjusted R-squared	0.873777
S.E. of regression	0.312349
Sum squared resid	9.756200
Log likelihood	-16.13596
F-statistic	31.79327
Prob(F-statistic)	0.000000

**Table 6.** F Test

Source: EViews

Based on the image 6 above, the value of Prob (F-statistic)  $0.000000 < 0.05$ , which independent

variables WC and IC simultaneously have an influence on firm value.  $H_3$  is accepted.

R-squared	0.902153	Prob.
Adjusted R-squared	0.873777	0.0000
S.E. of regression	0.312349	0.0167
Sum squared resid	9.756200	0.2655
Log likelihood	-16.13596	0.0022
F-statistic	31.79327	0.0215
Prob(F-statistic)	0.000000	

**Table 7.** Adjusted R-squared

Source: EViews

Based on the image 7 above, the Adjusted R-squared value of 0.902153 means that WC, IC, and GCG variables together in this research model have a influence of 90% on firm value, while the remaining 10% is explained by other variables outside this research model.

### Panel Data Regression Model Equation

$FV = + 0.571 - 0.078WC - 0.172IC + 0.659GCG$   
 From the equation of the panel data regression model above, it can be concluded as follows:

1. The constant is 0.571. This indicates that if there are no values in the independent variables (independent variables equals to 0), the Firm Value (FV) has a value of 0.571
2. The value of Working Capital (WC) is -0.078, which means that every increase of 1 (one) unit of Working Capital will decrease the value of Firm Value by 0.078.

3. The value of Intellectual Capital (IC) is -0.172, which means that every increase of 1 (one) unit of Working Capital will decrease the value of Firm Value by 0.172.
4. The value of Good Corporate Governance (GCG) is 0.659, which means that every increase of 1 (one) unit of Good Corporate Governance will increase the value of Firm Value by 0.659.

## **Discussion**

### **A. Hypothesis 1**

The first hypothesis is that there is a positive influence of Working Capital (WC) on Firm Value. Based on the results of t-test, WC has the Prob. Value of  $0.0167 < 0.05$ , which can be concluded that H1 is accepted, means working capital in this study has an positive influence on firm value. If company would like to attract investor or even creditor, company needs to manage their working capital because if company could manage their working capital effectively, it shows that company can carry out daily operational activities well and is able to pay off its liabilities on time. Company can also avoid financial risk related to their operational activity. By the growth of working capital, the company can also increase their production capacity which resulted increase in revenue, thus the revenue can be a return on investment to every stakeholders and can paid off the liabilities to creditors.

This research is in line with previous studies from (Hermanto &

Aryani, 2021) which stated that working capital has an influence on firm value. The sufficient working capital show the company's capabilities to manage their production thus can grow the companies value.

### **B. Hypothesis 2**

The second hypothesis is that there is a positive influence of Intellectual Capital (IC) on Firm Value. Based on the results of t-test, WC has the Prob. Value of  $0.02655 > 0.05$ , which can be concluded that H2 is rejected, means intellectual capital in this study has negative influence on firm value. This is because no information was found in the companies studied regarding the application of intellectual capital to run the business optimally. Intellectual capital may not be reported adequately to stakeholders so that intellectual capital is deemed unable to have an influence on company value.

This can happen if the company does not consider the use of knowledge possessed by employees which can be used as a factor in increasing company value by stakeholders. This limited information forces investors to use other factors in making decisions and looking at the company's value prospects.

This research is in line with previous studies from (Prakasa, 2022) which found that intellectual capital has negative influence on working capital. Most of the companies are focused to another aspect rather than

intellectual capital to grow their value.

### **C. Hypothesis 3**

The third hypothesis is that there is a positive influence of Working Capital (WC) and Intellectual Capital (IC) simultaneously on Firm Value. Based on the results of f-test, WC has the Prob. Value of  $0.000000 > 0.05$ , which can be concluded that H3 is accepted, means working capital and intellectual capital in this study has an simultaneous positive influence on firm value. This means that company value can be increased through good management of working capital and intellectual capital. If these two indicators work well in the company, then they can be useful assessments for many parties in making decisions. Apart from that, this can be useful information, especially for companies to evaluate factors that can increase company value.

### **D. Hypothesis 4**

The first hypothesis is that there is a positive influence of Working Capital (WC) on Firm Value moderates by Good Corporate Governance (GCG). Based on the results of t-test, WC has the Prob. Value of  $0.0022 < 0.05$ , which can be concluded that H4 is accepted, means good corporate governance in this study moderates working capital influence on firm value. The implementation of well-designed governance can provide encouragement for company

managers to act with the aim of meeting stakeholder expectations.

With the right actions, this can provide satisfaction to stakeholders so that by fulfilling the desires of stakeholders, the company has the potential to get more support from stakeholders to run its business. One action that managers can take is to plan good fund management in working capital. By managing working capital well, the company's production results can increase and produce good returns for the company so that the value of the company will also increase due to good working capital management.

This research is in line with previous studies from (Wibowo & Fitria, 2023) which stated that good corporate governance moderates working capital on firm value. If companies have a good management with competent leaders, their governance could manage the working capital effectively that will increase the firm value.

### **E. Hypothesis 5**

The first hypothesis is that there is a positive influence of Intellectual Capital (WC) on Firm Value moderates by Good Corporate Governance (GCG). Based on the results of t-test, WC has the Prob. Value of  $0.0215 < 0.05$ , which can be concluded that H5 is accepted, means good corporate governance in this study moderates intellectual capital influence on firm value. The application of well-designed governance to a company's knowledge resources can be a



competitive advantage that has the potential to produce new breakthroughs that have a positive impact on the company's business activities. By implementing good coordination across all knowledge resources owned by the company, it is hoped that this can become a new innovation that can significantly increase the company's output so that in the end the company's income will also increase with this innovation.

If the innovation has a positive impact on the company, then it can attract the attention of stakeholders. Thus, if stakeholders can continue to provide support to carry out the innovations produced by the company, then the company can continue to make new breakthroughs to increase its income which can directly increase the company's value.

This research is in line with previous studies from (Trisanti & Istikhoroh, 2021), which found that good corporate governance moderates intellectual capital on firm value. If companies have a good corporate governance, they could use that to manage the use of intellectual capital to increase the firm value.

#### **IV. CONCLUSION**

From the result of research and data analysis, it can be concluded as follows:

1. Working capital has a positive influence on firm value.
2. Intellectual capital has a negative influence on firm value.

3. Working capital and intellectual capital simultaneously has a positive influence on firm value.
4. Good corporate governance moderates the influence of working capital on firm value.
5. Good corporate governance moderates the influence of intellectual capital on firm value.

This study has a results that four out of five hypothesis has a positive influence on firm value which can be concluded that firm value can be increase by certains variables used in this study.

This study has several limitations. The data used in this study are data from 2018-2022 or in the midst of COVID 19 which making the data used in this study were in poor condition for conducting research. In this study; intellectual capital have three calculation components which doesn't yet known precisely which component cause this variable to have a negative influence.

Based on this study, researchers suggest the next researcher to use data before and after COVID 19 period to compare the influence of variables that will be use in the research from different timeline; therefore the next researcher can use the expansion test from each intellectual capital calculation components to find out which variable that potentially cause negative influence to dependent variable.

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