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| **THE INFLUENCE OF PHYSICAL, FINANCIAL, INTELLECTUAL CAPITAL, AND WORKING CAPITAL TURN ON THE FINANCIAL PERFORMANCE OF COMPANIES**  **Siti Nur Azizah**  Accounting Study Program, Faculty of Economics, Universitas Muhammadiyah Purwokerto  Corresponding Author : *sitinurazizah@ump.ac.id* | | | |
| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | | **Abstract**  *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  This study aims to empirically examine the effect of physical capital, financial capital, intellectual capital, and working capital turnover on the company's financial performance as the dependent variable. The theory used in this study is Resource Based Theory (RBT) developed by Barney 1991 and Resource-Dependence Theory (RDT) developed by Pfeffer and Salancik 1978. The sample in this study is the Consumer Goods Industry listed on the Indonesia Stock Exchange in 2016 -2018 using the purposive sampling method. The data analysis technique used is multiple linear regression analysis with SPSS 24 test equipment. The results of this study indicate that physical capital has a negative effect on the company's financial performance, financial capital has a positive effect on the company's financial performance, while intellectual capital and working capital turnover have no effect on performance. company finances.  Keywords : Physical Capital, Financial Capital, Intellectual Capital, Working Capital Turnover, and Company Financial Performance. | |
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# BACKGROUND

The development of today's economy is balanced by fairly tight and competent competition, this requires companies to develop strategies for a company in order to develop and compete. The purpose of a company to be achieved is to fulfill the wishes of its members and seek profit from the company's activities, success in achieving the company's goals is a management achievement. In an assessment of the company's performance it must be measured because it can be used as a basis for decision making both internal and external parties (Erica, 2018). One of the methods used to assess and measure financial performance is to look at the financial statements owned by the company or business entity concerned, it is contained in the information obtained from the balance sheet, income statement, and cash. flow statement (cash flow statement) as well as all things that can support and strengthen the financial performance assessment (Fahmi, 2012).

The business world, such as industry, automotive, and manufacturing, has been growing. Currently, the emergence of various companies, both small and large, is a good phenomenon because the consumer goods (manufacturing) and automotive industries have also suppressed the businesses of these two issuers. increasingly stringent so that companies must be able to provide good financial reports for interested parties (Pertiwi, 2018). The company's financial performance is a description of the changing conditions which include the financial position and the results that have been achieved by the company which is reflected in the financial statements (Rhamadana et al, 2016). Therefore, good company performance can be assessed from the extent to which the company manages its own capital effectively, measures the level of profit from investments made by the capital owner or shareholders, and how well it generates income. According to Ekowati et al., (2012) capital is an important factor in order to build, develop and maintain the establishment of a company so that capital is used as an instrument to anticipate the risk of company losses and a tool for business expansion.

# LITERATURE REVIEW

Resource Based Theory (RBT) serves as an important thing to explain and predict what can be the basis for competitive advantage and financial performance of a company (Barney et al, 2011). Resource Based Theory (RBT) explains that the creation of a sustainable competitive advantage is closely related to the company's ability to maintain valuable, rare, and irreplaceable resources and allocate and deploy these resources effectively (Barney, 1991).

Resource-Dependence Theory (RDT) was proposed by Pfeffer and Salancik, (1978) which focuses this theory primarily on the symbiotic relationship between an organization and its environmental resources. An enterprise responds to and becomes dependent on other actors, organizations or firms over which control of resources is critically directed to operations, and where the firm has limited control over it. Organizations continuously seek resources from their environment in order to survive. Many organizational changes are shaped by the critical resources available to the firm (Pfeffer and Salancik, 1978). Furthermore, Pfeffer and Salancik (1978) suggested that in order to obtain these resources, organizations interact with other organizational entities in their environment that control resources.

Physical capital is a capital asset owned by a company and is on the debit side of the balance sheet. Physical capital refers to any non-human asset that is created by humans and then used in production. The effect of physical capital on the company's financial performance is in accordance with resource-based theory, namely the competitive advantage of consumer goods industry companies and good company performance by owning, controlling and utilizing important strategic assets such as cash. Research conducted by Ekowati et al (2012), Savitri (2014) and Solechan (2017) which states that physical capital has a positive effect on company performance. Adequate supplies of raw materials and semi-finished goods can facilitate production activities (Ekowati et al, 2012). Thus physical capital will have an influence on the company's financial performance. On the basis of this, the following hypothesis is made:

**H1: Physical capital has a positive effect on the company's financial performance.**

Financial capital is the sources of funds obtained by the company. Financial capital refers to funds provided by lenders and investors that are deposited with owners to purchase real capital equipment (Is et al, 2014). To carry out production widely and normally so that business continuity is guaranteed, not only physical capital plays a role in value creation in the company, financial capital as a source of company funding also has an important role for the company's sustainability, where companies that meet their production needs can improve performance. company finances through its funds (Ekowati et al, 2012). Companies whose liability capital structure is higher than their equity, have better performance depending on how the company manages its physical capital as an investment from financial capital and if the company's physical capital management is good and reaches or exceeds the target in the production process and distribution to consumers, the performance will be smooth. company finances will also increase. Ekowati et al, (2012), and Khan et al, (2019) state that financial capital has a positive effect on the company's financial performance. Thus financial capital will have a positive influence on the company's financial performance. On the basis of this, the following hypothesis is made:

**H2: Financial capital has a positive effect on the company's financial performance.**

RBT explains that Intellectual Capital is the core of a company's values ​​and competitive advantage. The creation of a sustainable competitive advantage is closely related to the company's ability to maintain valuable, rare and irreplaceable asset resources and also allocate and deploy these resources effectively (Barney, 1991). According to Bontis (1998) intellectual capital is an intangible asset (resources, abilities and competencies) that drive organizational performance and value creation. According to Sawarjuwono and Kadir (2003) intellectual capital is the sum of what is produced by the three main elements of the organization (human capital, structural capital, customer capital) related to knowledge and technology that can provide added value to the company in the form of organizational competitive advantage. Several previous studies that examined the relationship between Intellectual Capital and the company's financial performance succeeded in finding a relationship between Intellectual Capital and the company's financial performance. Previous research conducted by Faradina (2016), Negari et al (2017), Pratama (2016), Pratama and Wibowo (2017) said that Intellectual Capital had a positive effect on ROA. On the basis of this, the following hypothesis is made:

**H3: Intellectual capital has a positive effect on the company's financial performance.**

Working capital turnover is one of the ratios to measure or assess the effectiveness of the company's working capital during a certain period, meaning how much working capital rotates during a period or in a period (Kasmir, 2011). According to Putra and Gede, (2018) said that a high level of working capital turnover is also expected to occur in a relatively short time, so that the working capital invested by the company will quickly return. The higher the working capital turnover, the higher the profit will be. Previous research conducted by Wibowo and Erni (2018), Putra and Gede (2018), and Rini (2015) said that Working Capital Turnover had a positive effect on profitability. On the basis of this, the following hypothesis is made:

**H4: Working capital turnover has a positive effect on the company's financial performance.**

# RESEARCH METHODOLOGY

This research is a quantitative study with secondary data obtained from the financial statements of the Consumer Goods Industry companies listed on the Indonesia Stock Exchange. The population in this study are consumer goods industrial sector companies listed on the Indonesia Stock Exchange (IDX) in 2016-2018. The sampling technique used purposive sampling method based on certain criteria.

Financial performance : The company's financial performance is the achievement of the financial sector whose elements are related to data collection, comprehensive operations, debt structure, and investment returns, financial performance is measured by ROA by dividing net income by total.

Physical Capital (X1) : Physical capital is capital wealth owned by a company and is contained in the balance sheet (Is et al, 2014). According to Samuelson and Nordhaus (2009) the formula for calculating physical capital is obtained from the company's total fixed assets.

Financial Capital (X2) : Financial capital is a source of funding (investors) and the company's ability to finance its production activities, the measurement of financial capital according to (Is et al, 2014) is the sum of equity with long-term liabilities.

Intellectual Capital( X3 ) : According to Bontis (1998) intellectual capital is an intangible asset (resources, abilities and competencies) that drive organizational performance and value creation. The first stage in measuring intellectual capital is to find the value added obtained from operating income, employee expenses, depreciation and amortization. The second stage calculates human capital efficiency by dividing the value added and human capital. The third stage is calculating Structural Capital Efficiency derived from the division of Structural Capital with value added. The fourth stage of Capital Employed Efficiency is obtained from the division between value added and Employed capital. The last stage for VAIC is the summation of HCE, SCE, and CEE.

Working Capital Turnover : According to Kasmir, (2011) working capital turnover is one of the ratios to measure or assess the effectiveness of the company's working capital during a certain period. The measurement of working capital turnover is the division between net sales and working capital.

# 4, RESEARCH RESULTS AND DISCUSSION

From the results of the tests carried out, it can be seen that the data used has passed the classical assumption test. The classical assumption test in this study can be explained as follows:

The normality test used the Kolmogorov-Smirnov non-parametric statistical test (K-S test). The K-S test was carried out by looking at the significant value, with a significance level of 0.05 (Ghazali, 2013). The results of the normality test showed a significance value of 0.096 or 0.096 > 0.05. (Source: 2019 SPSS data)

Multicollinearity test in a regression model can be seen from the value of Tolerance and its opponent Variance Inflation Factor (VIF). The general limits used to indicate the presence of multicollinearity are tolerance values ​​> 0.10 and VIF < 10.00 (Ghazali, 2013). This research shows that tolerance > 0.10 and VIF < 10.00. (Source: 2019 SPSS data)

Heteroscedasticity test can be seen from the magnitude of the significance value > 0.05 (Ghazali, 2013). In this study, all variables have a significance value > 0.05, meaning that the data is free from heteroscedasticity. (Source: 2019 SPSS data)

The value autocorrelation test can be seen from the Durbin-Waston (DW) value greater than dU and less than 4-dU or du < dW < 4-dU. From the test results show that dU 1.7561 < dW 2.074 < 4-dU 2.2484, the decision is that there is no autocorrelation symptom. (Source: 2019 SPSS data) From the results of the tests carried out, it can be seen that the data used has passed the classical assumption test.

The coefficient of determination (R²) measures how far the model's ability to explain variations in the dependent variable is. Based on the following table, it is known that the Adjusted R² Square value is 0.446. This value indicates that the independent variable can explain the variation of the dependent variable by 44.6% and the remaining 55.4% is explained by other variables outside the regression model.

Coefficient of Determination Test Results

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Model Summaryb** | | | | |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | 0,686a | 0,471 | 0,446 | 0,054556 |

Source: SPSS data for 2019

The F statistic test aims to simultaneously test the effect of the independent variables on the dependent variable.

F Statistical Test Results

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **ANOVAa** | | | | | | |
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 0,228 | 4 | 0,057 | 19,143 | 0,000b |
| Residual | 0,256 | 86 | 0,003 |  |  |
| Total | 0,484 | 90 |  |  |  |

Source: SPSS data for 2019

The t statistic test aims to show how far the influence of one variable individually in explaining the variation of the dependent variable.

Statistical Test Results t

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Coefficientsa** | | | | | | |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 0,044 | 0,011 |  | 3,938 | 0,000 |
| Physical | -9,276E-15 | 0,000 | -1,389 | -6,721 | 0,000 |
| Financial | 8,421E-15 | 0,000 | 1,722 | 8,250 | 0,000 |
| Intelevtual | -0,001 | 0,001 | -0,077 | -0,961 | 0,339 |
| Turn over working capital | -2,451E-5 | 0,000 | -0,060 | -0,765 | 0,447 |

**Discussion of Results**

1. **First Hypothesis Testing Results**

From the results of the partial test calculation, the tcount value is -6.721 with a significance value of 0.000 because the significance value is less than 0.05 and the tcount value is -6.721 < -ttable -1.66256 then shows a negative influence between physical capital on financial performance, so the hypothesis first accepted, but in the opposite direction to the hypothesis. According to Budiman et al., (2014) ownership and acquisition of fixed assets can be done by means of cash or debt so that if ownership of fixed assets is obtained by debt, it will cause costs for debt payment obligations which can reduce profits. This means that the higher the physical capital, the lower the financial performance.

The results of this study are in accordance with the research of Sedeaq, (2018), Prima, (2018), and Dewi and Setyowati, (2015) which state that physical capital has a negative effect on financial performance.

1. **Second Hypothesis Testing Results**

From the results of the partial test calculation, the tcount value is 8.250 with a significance value of 0.000 because the significance value is less than 0.05 and the tcount is 8.250 > ttable 1.66256, so the hypothesis is accepted. thus showing a positive influence between financial capital variables on financial performance variables, so that the second hypothesis is accepted. Funding in financial capital is obtained from the use of total equity with total long-term liabilities. So the company must be able to create products that are easily marketed or can be easily recognized by consumers in order to increase profits in accordance with the capital spent on financing the production. This means that the higher the financial capital it will improve the company's financial performance. The results of this study are in accordance with the results of research by Ekowati, et al (2012) and Khan et al, (2019) which state that financial capital has a positive effect on ROA.

1. **Third Hypothesis Testing Results**

From the results of the partial test calculation, the tcount value is -0.961 with a significance value of 0.339 because the significance value is more than 0.05 and the tcount value is -0.961 < ttable 1.66256, then it shows that there is no influence between intellectual capital variables on financial performance, so the hypothesis third rejected. According to Kennan et al. (2004) stated that intellectual capital is intellectual material (knowledge, information, intellectual property and experience) that can be used to create wealth if managed properly. This means that the ups and downs of intellectual capital have no effect on the company's financial performance. The results of this study are in accordance with the research results of Putri and Nuzula, (2019), Solechan, (2017), and Subagyo and Lahagu, (2013) which state that intellectual capital has no effect on financial performance.

1. **Results of the Fourth Hypothesis Testing**

From the results of the partial test calculation, the tcount value is -0.765 with a significance value of 0.447 because the significance value is more than 0.05 and the tcount value is -0.765 < ttable 1.66256, it shows that there is no significant effect between the variables of working capital turnover on the company's financial performance. , so the fourth hypothesis is rejected. These results may occur because the company prioritizes external capital (debt) in order to achieve a profit level, and from the research data there are several companies that have higher current debt than current assets so that the profits obtained are used to cover their debts. This means that the level of working capital turnover does not affect the company's financial performance. The results of the study are in accordance with research conducted by Guci et al., (2019), Nurjanah and Hakim, (2018), and Yulianti and Sunarto, (2014) which state that there is no significant effect of working capital efficiency on profitability.

**CONCLUSION**

Based on the results of the research that has been done, it can be concluded that physical capital has a negative effect on the company's financial performance, financial capital has a positive effect on the company's financial performance, intellectual capital and working capital turnover have no effect on the company's financial performance in consumer goods industrial sector companies listed in Indonesia Stock Exchange from 2016-2018.

**Research Limitations**

Based on the research process that has been carried out, the limitations in this study are that the independent variables in this study can only explain 44.6% while 55.4% are explained by other variables. This study has not been able to prove the influence of intellectual capital and working capital turnover on the financial performance of companies in the consumer goods industry sector.

**Suggestion**

Based on the conclusions and limitations that have been explained, the researcher can provide suggestions for further research, namely conducting further research by adding other variables that can affect the company's financial performance such as company size and further research is expected to examine other sector companies such as banking sector companies.

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