

The Effect of Funding Decisions and Intellectual Capital on Firm Value with Profitability as an Intervening Variable in Manufacturing Companies Listed on the Indonesia Sharia Stock Index

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Abstract—This study examines the effect of funding decisions and intellectual capital on firm value with profitability as an intervening variable in manufacturing companies listed on the Indonesia Sharia Stock Index (ISSI). This study uses DER as an indicator of funding decisions, VAIC as an indicator of intellectual capital, ROA as an indicator of profitability and Tobin's Q as an indicator of corporate value. The sample used in this study is the manufacturing companies listed on the Indonesia Sharia Stock Index (ISSI) in the 2014-2018 period. The data obtained were 290 samples. This study uses multiple regression to analyze data and path analysis to determine the effect of mediation. The results showed that funding decisions have a negative effect on profitability, intellectual capital has a positive effect on profitability. Funding decisions (DER) and profitability (ROA) have a positive effect on firm value (Tobin's Q) but intellectual capital (VAIC) has a negative effect on firm value (Tobin's Q). Profitability (ROA) can't mediate the effect of funding decisions (DER) on firm value (Tobin's Q) but profitability (ROA) can mediate the effect of intellectual capital (VAIC) on firm value (Tobin's Q).

Index Terms—Funding Decisions, Intellectual Capital, Profitability, Firm Value.

I. INTRODUCTION

The fourth industrial revolution or industry 4.0 revolution encourage companies to have global competitiveness including companies in Indonesia. Different from the previous industri era, the industry 4.0 is based on intelligent production, which means that the industry is more knowledgeable. It is an investment opportunity for the companies. Investment requires capital to obtain future income. In this study divides capital into two types namely material capital and non-material capital. The material capital is physical funding from internal and external companies. While non-material capital is intangible capital

such as knowledge, expertise, skills, reputation etc.

The funding decision for companies are the most important thing to supporting the company's activities. This is combination of internal (debt) and external (equity) funding. Generally referred to as a capital structure. If the companies uses a lot of debt and can manage it well so that it will have an impact on increased probability. The result of previous studies supporting this statement were carried out by Ahmad *et.al* (2015), Chesang & Ayuma (2016), Mahardhika & Marbun (2016), Dalci (2018) that the use of debt can increase probability. But the different result were found by Widiyanti & Elfina (2015), Laksono & Pangestuti (2018).

The use of debt can affect on the firm value but depending on the perception of on stakeholders such as investor and creditor. For creditors, debt is a trust for the company because they considers the company can repay the debt and has a positive cash flow. For investors, debt is an opportunity for companies to develop their businesses. So that the company is expected to provide more profit for investors. Sari (2017) and Tauke *et.al* (2017) found that the capital structure had positive effect on the firm value. But Rahmantio *et.al* (2018), Maulana *et.al* (2016), Tanudja & Hastuti (2019) found that debt to equity ratio (DER) had no significant effect on the firm value.

The company's financial statements are an overview of the management's performance in managing the debt. If the company can manage the debt well then it effects the increase in profits. It the company has a high profit, it means the company's profitability is good so the firm value will increase. Hamidy *et.al* (2015) found the result that profitability can mediate the effect of DER as an indicator of capital structure on the firm value. While Pratama & Wiksuana (2018) found that profitability can't mediate of the effect of leverage on the firm value.

Companies must also have non-material capital in the form of intangible assets that are often referred to as intellectual capital. Where the intellectual capital has a high potential in creating value added for the company. Value added is the most objective indicator in assessing business success and demonstrating the company's ability to value creation (Ulum, 2017).

The intellectual capital phenomenon in Indonesia emerged since the issuance of the revised PSAK no 19 year 2010 about intangible assets. Although intellectual capital is indirectly mentioned in accounting standards, but the discussion about it has gained attention in accounting. However, in the reality companies in Indonesia have not fully focused on intellectual capital. Indonesia's industry still uses

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conventional based and still uses traditional accounting that emphasizes the use of tangible assets. So that the traditional financial statements can't present information on intangible asset overall.

Productivity can be increased due to the good management of intellectual capital. So that it will impact the increasing profitability. Chowdhury *et.al* (2018), Chen *et.al* (2005), Barokah *et.al* (2018), Kazhimy & Sulasmiyati (2019), Kuspinta & Husaini (2018), Hermawan *et.al* (2019) found that intellectual capital has a positive effect on the profitability. But Putri & Nuzula (2019) found the opposite result.

The company that owns the good intellectual capital is a positive signal for outsiders in assessing the company. That means the company is considered able to compete and has a competitive advantage so it is expected to win industry competition. Putri & Nuzula (2019) found that intellectual capital increased then the firm value will also increase. But Nimtrakoon (2015) showed the different result that the intellectual capital has no positive effect on firm value.

If the management of intellectual capital is good and right then it can impact on the profitability positively. It will be seen from the income statement of the company. If the company profitable then the investor will respon it as a positive signal from management, that it can increase the firm value. Therefore, the company's profitability as an evidence in financial reporting can mediate the effect intellectual capital on firm value. Sudibya & Restuti (2014) found that the financial performance as an intervening variable can mediate the relationship between intellectual capital and corporate value. Meanwhile, Fazrin & Hermanto (2019) found the result that the profitability can't mediate the relationship between intellectual capital and stock return.

Profitability is one of the factors that can give an impact on firm value. Because profitability is the ability of the company to generate profits. Tauke *et.al* (2017), Haryanto *et.al* (2016) found that profitability has a positive significant on the firm value. But Pratama & Wiksuana (2018) found the different result.

The novelty in this study is by the intervening variable of profitability that can give a more effective effect between variable independent on variable dependent. In addition, the reason for using ratio DER as indicator of funding decision is that ratio can measure the company's health and it can find out about how much the company's debt affects on the management of assets (Permatasari & Azizah, 2018). Intellectual capital is measured using the VAIC method. Because the data is more easily to obtained from financial statements. Profitability is measured using Return on Assets (ROA) because it measures the company's ability to generate net profit by using total assets after interest and taxed. While the firm value is measured using the ratio Tobin's Q because this ratio describes a condition of investment opportunity owned by the company (Lang, *et.al*. 1989) or the company's growth potential (Tobin, 1969) and the reflects market sentiment.

The object of this study is the sector manufacture companies listed on the Indonesia Shariah Stock Index (ISSI) because that sector is still the main support in economic growth in Indonesia (detikfinance.com). While the growth of investor in Sharia stock market today increases dramatically, which increases more than 100 times in a span of seven years

(Kontan.co.id). This research is important to do because of some previous studies there are still research gaps and inconsistencies in the result. Moreover, there is still a need for proof between theory and existing reality that is related to these variables. The existence of industrial development in the era of the revolution industrial 4.0 became an urgency in this research.

II. LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESIS

A. Firm Value

Firm value is a factor that influences a company's investment decisions. Investor will see the value of the company before making an investment. If the companies that have high company value, it can be said that the company has good prospect for the growth in the future, so it is attractive for investors to investment (Permatasari & Azizah, 2018). The high company value indicates the high prosperity of shareholders, because of the maximum stock price. The present value of the all expected profits in the future can be reflected on the value of company (Horne, 2009).

B. Profitability

Profitability is a reflection of company performance and it is an image of the company's management performance. The high company's profitability illustrates that the company's performance is good. This profitability is an information on the company's financial performance needed by investors in investing. The investors decision will be reflected in the company's stock price and it is affected by the company's ability to generate profits (Haryanto *et.al*, 2016).

C. Funding Decision

Funding decisions are related to how the companies manage the source of funds used. This it is related to the type of source of funds, the amount of funds, the composition, the cost of funding resources (Prihadi, 2013). The capital structure is part of the company's funding decisions, where the capital structure is a balancing between the short-term debt, long-term debt, preferent stock and ordinary stock (Sartono, 2010). The optimal capital structure can be interpreted as minizing the use of the overall capital costs or average capital cost (Harjito & Martono, 2007).

D. Intellectual Capital

Intellectual capital is intangible capital from the performance of capital employee, human capital and structural capital (Pulic, 1998). As for knowing how well an intellectual capital performance in a company, Mavridis (2004), Kamath (2007) and Ulum (2008) used the business performance indicator (BPI). Where the BPI is an indicator to measure the performance of intellectual capital based on VAIC scores classified in 4 categories. In this study used 4 categories which is using by Ulum (2008):

- 1) Top Performers – VAIC score more than 3 point
- 2) Good Performers – VAIC score between 2.0 until 2.99 point
- 3) Common Performers- VAIC score between 1.5 until 1.99 point
- 4) Bad Performers- VAIC score less than 1.5 point

E. Hypothesis Development

1) The effect funding decision on profitability

Dalci (2018) reveals that in the theory of capital structure, leverage affects profitability because of taxes, agency costs, financial distress, bankruptcy costs and asymmetry information as disclosed by Modigliani & Miller (1963); Scott (1977); Jensen & Meckling (1976); Myers & Majluf (1984); Myers (2001).

Ali (2017) found a positive relationship between the capital structure (Debt ratio) and financial performance (ROA) (Sudaryo & Pratiwi, 2016; Permatasari *et.al*, 2018) but did not find a positive relationship to return on equity (ROE). Ahmad *et.al* (2015), Chesang & Ayuma (2016), Mahardhika & Marbun (2016) found that DER has an effect on profitability. Dalci (2018) found that there was a positive effect over the financial leverage on profitability. Therefore, based on the explanation, the hypothesis in this study was:

H_1 = Funding decisions have a positive effect on profitability.

2) The effect intellectual capital on profitability

Based on the theory of stakeholders, the creation of value in the company the company is to maximize the potential owned such as employees (human capital), physical assets (physical capital) or structural capital. If this potential is managed properly, it will be able to create a value added for the company and then it can increase the financial performance for the benefit of the stakeholder (Ulum, 2017). Chowdhury *et.al* (2018) showed the impact of VAIC component on financial performance. Kuspinta & Husaini (2018), Sardo *et.al* (2018), Barokah *et.al* (2018), Kazhimy & Sulasmiyati (2019) showed that intellectual capital efficiency has a positive impact on financial performance. Therefore, based on the explanation, the proposed hypothesis in this study was:

H_2 = Intellectual capital has a positive effect on profitability.

3) The effect profitability on firm value

The high profitability indicates that the company can make efficiency in the asset turnover, so investors will tend to respond positively to the company. Which the response will have an impact on the firm value. Signalling theory explained that if the information from the company was responded positively by the market then the firm value will increase, but if it turn out that the response is negative, the firm value will decrease (Haryanto *et.al*, 2016). Nuryaman (2015), Haryanto *et.al* (2016), Sabrin (2016) found that profitability affected firm value. Therefore, based on the explanation, the proposed hypothesis in this study was:

H_3 = Profitability has a positive effect on firm value.

4) The effect funding decision on firm value

The Trade Off theory can be predicted a positive effect between the use of debt and the increase of firm value. Ross (1977) expanded the analysis and proposed that the high debt ratio of the company gave a positive signal to the market that

the company has a positive cash flow to fulfill the company’s operational and financing requirements in the future. Jensen & Meckling (1976) also suggested that debt or leverage affects the company’s performance. The high debt ratios reduce to the company’s agency costs due to the liquidation threat and risk reduction of company managers rewards.

Tauke *et.al* (2017), Sari (2017), Pratama & Wiksuana (2018) found the capital structure has a positive and significant effect on the value of the firm. The higher the debt, the higher the firm value. Therefore, based on the explanation, the hypothesis in this study was:

H_4 = Funding decisions have a positive effect on the firm value.

5) The effect intellectual capital on firm value

According to the Resourced Based View Theory, company-owned resources can make the company to have a competitive advantage and to have a good performance in the long term (Ulum, 2017). The good intellectual capital will be able to create efficiency, so that it will raise the performance of the company that will increase eventually the value of the firm (Hafidhah & Herli, 2017).

Based on the signalling theory, Petty & Guthrie (2000) and Whiting & Miller (2008) argued that a voluntary disclosure of information about ownership of intellectual capital is an effective means of communication for the company to convey a quality signal to create prosperity in the future.

Mariani & Suryani (2018), Smriti & Niladri (2018), Putri & Nuzula (2019), Nuryaman (2015) found that intellectual capital has an effect on the firm value. Therefore, based on the explanation, the hypothesis in this study was:

H_5 = Intellectual capital has a positive effect on firm value.

6) The effect funding decisions on firm value through profitability

The efficient debt management and not more than the optimal point will impact to increase profitability. If the company has the good profitability then it will increase the firm value because the demand for shares rises (Nurhayati, 2013). So it can be said that the use of debt by the company indirectly affects the firm value.

Hamidy *et.al* (2015) found the result that profitability can mediate the relationship between DER as an indicator of capital structure on the firm value. Dewi & Abundati (2019) found that profitability significantly mediated the effect leverage on firm value. Therefore, based on the explanation, the hypothesis in this study was:

H_6 = Profitability mediate the effect of relationship between funding decisions on firm value.

7) The effect intellectual capital on firm value through profitability

The good intellectual capital management can increase the value added. The value added is very useful gaining a competitive advantage. The value creation of intellectual capital is maximizing human capital, physical capital and structural capital. According to the stakeholder theory, the company not only operates for its own benefit, but also for the benefit of stakeholders. These stakeholders include as employees, communities, investor etc. If the resources managed well, it will increase profitability. The investors will that information as a positive information. Then it will be responded positively so the firm value increases and it will be able to improve the welfare of shareholders.

Sudibya & Restuti (2014), Muna & Prastiwi (2014), Yuskar & Novita (2014), Nuryaman (2015), Simanungkalit (2015) and Jayanti (2017) found the result that the financial performance can mediate the relationship between capital structure on firm value. Therefore, based on the explanation, the hypothesis in this study was:

H_7 = Intellectual capital mediate the effect of relationship between funding decisions on firm value.

III. RESEARCH METHODS

This research is a quantitative study using the pool data that are combined from time series and crosssection data. The population of this research is the manufacturing company listed on the Indonesia Sharia Stock Index (ISSI) period 2014-2018 and the sample obtained by 58 companies with the purposive sampling method.

The data source from annual report and financial report taken from www.idx.co.id or on the official website of each company.

The variables in this study is Firm Value (Y), Profitability (M), Funding Decisions (X1), Intellectual Capital (X2) and the indicators from each that variables used:

A. Dependent Variable : Firm Value

$$\text{Tobin's } Q = \frac{\text{MVE} + \text{Debt}}{\text{TA}}$$

Description:

MVE= Market value of all outstanding shares

Debt = Total Debt

TA = Total Activa

B. Intervening Variable: Profitability

$$\text{ROA} = \frac{\text{EAT}}{\text{Total Asset}}$$

Description:

EAT = Earning After Tax

C. Independent Variables

1) Funding Decisions

$$\text{DER} = \frac{\text{Total Debt}}{\text{Equity}}$$

2) Intellectual Capital

a) Estimate Value Added

$$\text{VA} = \text{OUT} - \text{IN}$$

Description:

VA = Value Added (Difference between output and input)

OUT = Total Sales and other income

IN = Expenses and the other costs (except employee cost)

b) Estimate VACA (Value Added Capital Employee)

$$\text{VACA} = \frac{\text{VA}}{\text{CE}}$$

Description:

VACA = Ratio from VA to CE

VA = Value Added

CE = Available funds (equity, net profit)

c) Estimate VAHU (Value Added Human Capital)

$$\text{VAHU} = \frac{\text{VA}}{\text{HC}}$$

Description:

VAHU = Ratio from VA to HC

VA = Value added

HC = labor expense or employee cost (total salary, wages and employee income)

d) Estimate STVA (Structural Capital Value Added)

$$\text{STVA} = \frac{\text{SC}}{\text{VA}}$$

Description:

STVA = Ratio from SC to VA

VA = Value added

SC = VA-SC

e) Estimate VAIC (Value Added Intellectual Capital)

$$\text{VAIC} = \text{VACA} + \text{VAHU} + \text{STVA}$$

Testing the hypothesis in this study uses multiple regression estimation while to measure mediation effect using path analysis. Statistical test analysis uses Eviews 10 software. Data analysis techniques use descriptive statistical test, classical assumptions (multikolinearitas test, heteroskedastisitas test), hypothesis testing and path analysis. This study used two regression equation are:

$$\text{ROA} = \alpha_1 + \beta_1 \text{DER} + \beta_2 \text{VAIC} + \epsilon$$

$$\text{TOBIN'S } Q = \alpha_2 + \beta_3 \text{DER} + \beta_4 \text{VAIC} + \beta_5 \text{ROA} + \epsilon$$

IV. RESULT AND DISCUSSION

A. Descriptive Statistic Analysis

Table 1. Descriptive Statistic Analysis

	DER	VAIC	ROA	TQ
Mean	0.7178	3.1546	0.0589	1.9465
Median	0.5619	2.7713	0.0514	1.0127
Maximum	3.1287	13.585	0.4666	23.2857
Minimum	0.0010	-4.7108	-0.4646	0.2114
Std. Dev.	0.5450	1.7565	0.0852	2.8463
Observations	290	290	290	290

Source: Output Eviews 10, 2020

Mean score of DER as of 0.7178, maximum score as of 3.1287 owned by PT SAT Nusapersada Tbk in 2018. Minimum score as of 0.0010 owned by PT Nippon Indosari Corporindo in 2016. Mean score of VAIC as of 3.1546, maximum score as of 2.7713 owned by 13.5854 in 2014 owned by PT Astra International Tbk and minimum score as of -4.7108 owned by PT Keramik Indonesia Assosiasi Tbk in 2018 because this company suffered a loss. Mean score of ROA as of 0.0589, maximum score as of 0.4666 owned by PT Unilever Tbk in 2018 and minimum score as of -0.4646 owned by PT Keramik Indonesia Assosiasi Tbk in 2018. Mean score of TQ as of 1.9465, maximum score as of 23.2857 owned by PT Unilever Tbk in 2017 and minimum score as of 0.2114 owned by PT Merck Tbk in 2018.

B. Classic Assumption Test

Testing the classic assumption on the data has been freed from the symptoms of multicollinearity but there are symptoms of heteroskedastisity which is then resolved using the robust standart error test.

C. Regression Result

The best regression models of the regression model selection is Random Effect Model for model 1 and Fixed Effect Model for model 2.

Table 2. Random Effect Model for Model 1

Dependent Variable: ROA				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.0178	0.0115	-1.5543	0.1212
DER	-0.0259	0.0068	-3.7736	0.0002
VAIC	0.0302	0.0021	13.9584	0.0000
R-squared	0.4135			
Adjusted R-squared	0.4094			
Prob(F-statistic)	0.0000			

Source: Output Eviews 10, 2020

Table 3. Fixed Effect Model for Model 2

Dependent Variable: TQ				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.8158	0.0731	24.8306	0.0000
DER	0.2541	0.0370	6.8623	0.0000
VAIC	-0.0844	0.0296	-2.8478	0.0048
ROA	3.6402	0.5008	7.2682	0.0000
R-squared	0.9426			
Adjusted R-squared	0.9275			
Prob(F-statistic)	0.0000			

Source: Output Eviews 10, 2020

Based on the regression result table above then the regression equation is formed by looking at the coefficient on each of the variable as follows:

$$ROA = -0.0178 - 0.0259DER + 0.0302VAIC + \epsilon$$

$$TQ = 1.8158 + 0.2541DER - 0.0844VAIC + 3.6402ROA + \epsilon$$

D. Hypothesis Testing

1) T Test

T test can be done by comparing between T-statistic with T-table or it can be done by comparing probability value with alpha. Table 2 showed the probability at DER of 0.0002 < alpha 5%, VAIC of 0.0000 < alpha 5% so it means that DER and VAIC affects on the ROA. Table 3 showed that the probability at DER of 0.0000, VAIC of 0.0048, ROA of 0.0000. all of them are less than alpha 5%, so it means that DER, VAIC, ROA affects on the TQ.

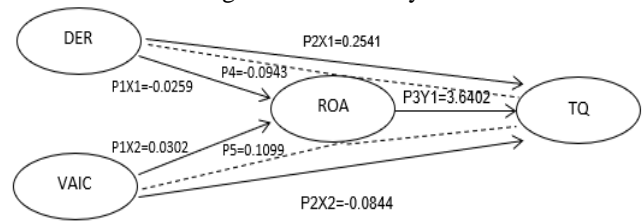
2) Coefficient of Determination

Table 2 showed that the Adj. R Square in the amount of 0.4094 (40%), it mean is DER and VAIC had an affect on ROA of 40% and 60% was affect by other variable. Table 3 showed that the Adj. R Square in the amount of 0.9275 (92%), it mean is DER, VAIC, ROA had an affect on TQ of 92% and 8% was affect by other variable.

E. Path Analysis

This analysis is done by comparing the coefficient of indirect effect with the direct effect coefficient. If the indirect coefficient is greater than the direct coefficient, the effect of independent variable on the dependent variable is mediated by the intervening variable, vice versa.

Figure 1. Path Analysis



Model 1: the coefficient of Indirect effect (-0.0259*3.6402=-0.0943) > the coefficient of direct effect (0.2541). Model 2: the coefficient of direct effect (0.0302*3.6402=0.1099) > the coefficient of direct effect (-0.0844).

F. Discussion

1) The effect funding decision on profitability

Based on the result that H_1 rejected. The funding decisions have not a positive effect on profitability. If the company chooses to add more debt, so that the cost of debt incurred also higher then the thing that happens will be able to decrease the profitability of the company. Because more debt will pose a bankruptcy threat to the company. This is evidenced by the increase in debt made by PT Indocement Tunggal Perkasa (INTP) in 2018, PT Multistrada Arah Sarana (MASA) in 2018 resulted in a profit decline.

The use of debt regulation in Sharia Stock have been determined with maximum of 45% (www.idx.co.id) so that the companies would prefer more use of its own equity than on debt. Previous research that supported the result was conducted by Prakoso & Chabachib (2016), Ramadita & Suzan (2019), Widiyanti & Elfina (2015), Laksono & Pangestuti (2018). While the opposite result was conducted by Ali (2017), Ahmad *et.al* (2015), Chesang & Ayuma (2016), Mahardhika & Marbun (2016), Dalci (2018), Sudaryo & Pratiwi (2016), Permatasari *et.al* (2018).

2) The effect intellectual capital on profitability

Based on the result that H_2 received. Intellectual capital has a positive effect on profitability. This result is evidenced by the fact of the company has been aware about the importance of value added for their company. As done by PT Astra International Tbk (ASII) and PT Unilever Tbk (UNVR) that have the performance of intellectual capital more than 3.00 point. According to Business Performance Indicator (BPI) means it Top Performers. So that makes the profitability increase.

Chen *et.al* (2005), Chowdhury *et.al* (2018), Barokah *et.al* (2018), Kazhimy & Sulasmiyati (2019), Kuspinta & Husaini (2018) and Sardo *et.al* (2018) showed the efficiency of intellectual capital on financial performance. While Juanda *et.al* (2016), Yulandari & Gunawan (2019) and Putri & Nuzula (2019) found the opposite result.

3) The effect profitability on firm value

Based on the result that H_3 received. The profitability has an effect on firm value. The company that profit is positive information. Because it is considered that the company has good prospects for the future. This will be responded by the market positively. The positive response can be demonstrated by increasing the stock price.

Hera & Pinem (2017), Azmi *et.al* (2018), Haryanto *et.al* (2016) found that profitabiliity has a positive effect on the

firm value. While Pratama & Wiksuana (2018) found the opposite result.

4) *The effect funding decision on firm value*

Based on the result that H_4 received. The funding decisions has a positive effect on firm value. The increase in debt done by manufacturing companies is seen as positive information for investors so that the perception of investors to the company is good and can increase the firm value. As is the case done by PT Unilever Tbk (UNVR) in 2014-2017, BTON in 2015-2018, CTBN in 2016-2017, DVLA in 2016-2017, EKAD in 2016-2017, GDST in 2015-2017, INAF in 2016-2017, INDR in 2014-2015, KDSI in 2014-2018, KIAS in 2017-2018, LION in 2014-2015, RICY in 2016-2018, SIDO in 2017-2018, SKLT in 2017-2018, TRIS in 2015-2016, TRST in 2017-2018.

Hamidy *et.al* (2015), Sari (2017), Tauke *et.al* (2017) and Pratama & Wiksuana (2018) found that capital structure has a positive effect on firm value. But Rahmantio *et.al* (2018), Maulana *et.al* (2016), Tanudja & Hastuti (2019) found the opposite result.

5) *The effect intellectual capital on firm value*

Based on the result that H_5 rejected. Intellectual capital has no a positive effect on firm value. Because the intellectual capital management is bad, so the company can't create value added. Though it is very important in the industry 4.0. Not all the companies list the Intellectual capital performance disclosures in their annual report and not all of them make sustainability reporting on intellectual capital separately. So it would be difficulted for investors to assess how much the company's intellectual capital performance. Moreover, an intellectual capital measurement that can't still be clearly solved.

Nimtrakoon (2015), Lestari (2017), Utami (2019), Li & Zhao (2017) found that intellectual capital has a negative effect on firm value. While Smriti & Nilandri (2018), Putri & Nuzula (2019) found the opposite result.

6) *The effect funding decisions on firm value through profitability*

Based on the result that H_6 rejected. Profitability can't mediate an effect between funding decisions on firm value. Because just by looking at the total debt and total equity, investors can already to provide a perception on company.

Pratama & Wiksuana (2018), Hera & Pinem (2017) found capital structure has no significant effect on the firm value through profitability. But Hamidy *et.al* (2015) found the opposite result.

7) *The effect intellectual capital on firm value through profitability*

Based on the result that H_7 received. Profitability can mediate an effect between funding decisions on firm value. The good intellectual capital management will have an impact on increasing company profitability. It means that the company profitable. Then the investors will give the positive response on that positive information. So that it can increase the firm value.

Muna & Prastiwi (2014), Yuskar & Novita (2014) found that profitability can mediate relationship between intellectual capital and firm value. But Sudibya & Restuti (2014), found the opposite result.

V. CONCLUSION

Funding decisions have a negative effect on profitability if the debt exceeds the optimum limit and intellectual capital has a positive effect on profitability. Funding decisions and profitability have a direct effect on firm value, but intellectual capital haven't it. While profitability can't mediate an effect between funding decisions on firm value. But profitability can mediate an effect between intellectual capital on firm value.

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