

ACCOUNTING CONSERVATISM, INTELLECTUAL CAPITAL, CAPITAL STRUCTURE IN THE FINANCIAL PERFORMANCE OF CONSUMER GOOD COMPANIES

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Abstract:

Background: The importance of intellectual capital for stakeholders in making investment decisions, along with the role of accounting conservatism for management, investment becomes a decision that is well-considered and measurable. Thus, through this research, investors are expected to be able to make their investment decisions well in the future.

Purpose: This study aims to determine the relationship between accounting conservatism, intellectual capital, and capital structure in achieving financial performance.

Design/methodology/approach: This study uses a quantitative method with a linear regression model and panel data. A total of 190 data have been obtained for five years based on certain characteristics. Through the Chow, Hausman, and Lagrange tests, the results are obtained in the form of a random effect, which will be used in the next test.

Findings/Result: The results reveal that accounting conservatism has a significant influence on achieving financial performance, as well as intellectual capital and capital structure also have a significant influence on financial performance.

Conclusion: There is a significant positive relationship between intellectual capital and firm value in the consumer goods sector listed on the Indonesia Stock Exchange. This indicates that intellectual capital plays an important role in creating value for the company and its stakeholders. In addition, accounting conservatism was found to be important in monitoring the company's investment decision-making. The findings of this study can provide insights for stakeholders on how the examined variables influence firm financial performance and aid in making investment decisions in the consumer goods sector in Indonesia, especially during the COVID-19 pandemic.

Originality/value (State of the art): To explore the relationship between intellectual capital, accounting conservatism, and their impact on financial performance in the Indonesian consumer goods sector. Additionally, the research examines other factors, such as technological innovation, social responsibility, and supply chain management, and their influence on financial performance. The study also delves into factors that contribute to economic prosperity in emerging market economies, particularly in Indonesia, which may aid investors and policymakers in making well-informed decisions. The research employs advanced methodologies, including panel data regression analysis with robust standard errors, and builds on existing literature in financial performance and intellectual capital in emerging market economies. Ultimately, this research contributes to the advancement of the field and provides a foundation for future research.

Keywords: accounting conservatism, intellectual capital, capital structure, financial performance

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INTRODUCTION

The Indonesian capital market in the last five years, from 2017 until 2022, has experienced significant development. This can be seen from the data of the Indonesian Stock Exchange (IDX), which shows that the number of companies conducting IPOs (Initial Public Offering) continues to increase. In addition, the number of Indonesian capital market investors referring to the Single Investor Identification (SID) figure also continues to increase. According to KSEI (Indonesian Central Securities Depository) data, the number of Indonesian Capital Market Investors increased from 7.49 million investors in 2021 to 10 million investors in November 2022 (Nurfitriyani, 2022). This shows that the level of public and investor confidence in the capital market is increasing. One of the companies of interest to the public and investors is the FMCG (Fast Moving Consumer Goods) industry CNBC Indonesia 2022.

Indonesia's FMCG market growth is among the fastest in Southeast Asia. This is in accordance with 2022 data, which shows that Indonesian households spend nearly 20%-30% of their total household expenditure on FMCG products (CNBC Indonesia, 2022). Based on capital market statistics released by the Financial Services Authority (OJK, 2021), the FMCG sector (in the non-cyclical consumer sector exchange) has the second largest market capitalization after the financial sector. The market capitalization value of the FMCG sector in 2021 was 1,039 trillion or 12.68% of the total market capitalization on the IDX (OJK.go.id). With a high market capitalization value, the FMCG sector is one of the favorite sectors for the public and investors to invest in (Timorria, 2021). Apart from having strong business potential, the FMCG sector is one of the sectors of interest to investors because this sector is suitable for the long term (Hariyanto, 2020).

Increased public confidence in the use of consumer goods significantly impacts the producers of these goods. This influence also has a significant effect on the stock exchange floor, as evidenced by the increase in investment in the FMCG sector. For this reason, the increase in the amount significantly influences company management when viewed from the ability of Intellectual Capital, Capital Structure, and Conservatism Accounting treatment on FMCG Company Performance. Based on previous research that company performance is determined by the

ability of intellectual capital (Robiyanto et al. 2019), conservatism accounting treatment (Li Cui et al. 2021), and the value of the company structure (Muhammad Ayaz et al. 2021).

The application of conservatism accounting in financial reporting is needed to avoid the risk of decreasing company value, one of which is the optimism of shareholders (Qian Wang et al. 2020), market conditions that are difficult to predict in advance (Li Cui et al. 2021), and the existence of information asymmetry in financial reports (Misnen Ardiyansyah, 2022). So, the application of conservatism accounting in financial statements can minimize these risks (Feliza Arni Rudiawarni et al. 2022).

Intellectual capital is an intangible asset owned by the company in the form of employee knowledge, employee expertise in managing company assets, company reputation, management systems, technology, and company business procedures. Companies with strong intellectual capital can improve financial performance and company value (Robiyanto et al. 2019; Ricardo Vinicius Dias Jardao et al. 2022). In addition, with intellectual capital, companies are able to increase their market value, company reputation, improve operational efficiency, and increase product and service innovation along with increasing another competitive advantage that other companies do not have (Gianluca et al. 2018; Ayse et al. 2019). Another advantage of intellectual capital is that companies can also assist in setting corporate strategies and making better business decisions (Muafi and Joko, 2022).

Capital Structure is the source of funds used by a company to finance its operations, both from internal sources, named Retained Earnings, and external sources, including debt and shares issued by the company. Capital structure also reflects the level of the proportion of debt and equity of the company, this also affects the amount of risk and cost of capital borne by the company (Muhammad et al. 2021). Increasing the amount of corporate debt has a positive effect on company performance, but in several countries, including Malaysia, Nigeria, and several Australian countries, it has been fully regulated by the government regarding the amount of corporate debt. It is possible that this will be used by companies to avoid taxes to the government (Muhammad et al. 2021; Rita I. Sike et al. 2023; Rafiuddin and Rafiqul, 2020; Hariem and Turqut, 2019).

In general, the main goal of the company is to generate profits for the welfare of shareholders and investors. To realize this goal, the company must have healthy financial performance. Various factors can affect the company's financial performance, including maximizing the company's managerial ability through the use of assets, utilizing capital, and recording with a conservative approach. Hopefully, with this ability, the resulting performance can fulfill the wishes of stakeholders.

In this study, the data sourced from the Indonesia Stock Exchange will be used as a sample to prove whether the company's performance based on intellectual capital, the treatment of Accounting Conservatism, and Capital Structure owned can create profits for the company. For this reason, in its measurement, this study uses the company's managerial ability through the utilization of potential intangible assets owned by the company, the creation of performance from the use of capital sources from debt, and the system of managing funds owned by the company through stock reaction on the trading floor.

METHODS

This study uses the causality method, which aims to measure the effect of independent variable on the dependent variable. The independent variables include accounting conservatism, intellectual capital, and capital structure. The dependent variable is financial performance. This research uses secondary data selected by purposive sampling from consumer goods sector companies listed on the Indonesia Stock Exchange (www.idx.co.id) from 2017 to 2021.

Financial data obtained through various financial formulations will be analyzed using descriptive statistics and inferential statistics, including mean, median, maximum, minimum, standard deviation, and multicollinearity. As for inferential statistics, t-test and f-test are used to test the hypotheses in this study. Meanwhile, to get a suitable model for this study, the Chow test, Hausman test, and Lagrange test are used so the results will answer the objectivity of this study. Accounting conservatism plays a role in monitoring the company's investment decision making. The principle of accounting conservatism is often used by

managers in running an investment where if there is a loss on the investment, changes or decisions that can improve the investment are made as soon as possible. Therefore, the potential losses do not affect company operations and company policies can be carried out properly (Imran et al. 2020). Until now, the principle of conservatism is still considered controversial, but quite a few also support the application of this conservatism (Nainggolan and Pratiwi, 2017) argue that the more conservative the accounting, the more distorted the reported book value of equity. Research by Qian et al. (2020) states that profits and assets determined by conservative accounting can improve the quality of earnings so that they can be used in company valuation.

H₁: There is a positive relationship between Accounting conservatism and financial performance

Research based view theory states that companies will succeed in their business competition and have healthy financial performance if they can use their strategic assets, both tangible and intangible assets, effectively and efficiently (Wijaya and Wiksuana, 2017). Intellectual capital has a vital role in improving company performance. WA Wijaya and IGB Wiksuana (2017) prove that intellectual capital positively influences the financial performance. Puspita and Wahyudi (2021) research also found similar results that there is a significant influence between intellectual capital and financial performance.

H₂: There is a positive relationship between Intellectual capital and financial performance

Capital structure is the proportion of the company's financing resources from liabilities and equity (Achmad Rizki et al. 2019). This ratio is used to determine the amount of funds provided by creditors. A high capital structure ratio indicates that the company uses more external than internal sources of financing. For that reason, additional funds from external parties are needed to increase the financing needs of the business development process. Companies whose business development is at a good level in long run bring great benefits to investors. Research by Rita I. Sike et al (2023) found that capital structure has a positive effect on financial performance. Research by Juan Gallegos et al. (2019) also found that capital structure influences financial performance.

H₃: There is a positive relationship between Capital Structure and financial performance

Management efforts to maximize company profits and welfare cannot be separated from several concepts in producing optimal performance. Conservatism is one of the concepts related to financial statements where recognition of income and assets is carried out with great care. Hence the financial statements do not present overstated data (Nainggolan and Pratiwi, 2017). Optimal financial performance is also supported by strategic assets owned by the company. Intellectual capital is one of the company's assets that focuses on human resources. With good management of intellectual capital assets, it will contribute to company performance. The existence of support related to the management of the capital structure in the company also contributes to the future of the company. With optimal financing, the company's business continuity will be maintained (Rafiudin and Rafiqul, 2020). Accordingly, it is expected to support the achievement of company goals in maximizing profits and welfare. Nainggolan and Pratiwi's research (2017) revealed that there is an influence between accounting conservatism and capital structure on financial performance.

H₄: There is positive relationship between accounting conservatism, intellectual capital, and capital structure with financial performance

The conceptual framework of this study includes several independent variables, such as Intellectual Capital, Capital Structure, and Accounting Conservatism. On the other hand, the dependent variable is Financial Performance in Fast Moving Consumer Goods (FMCG) companies from 2017 to 2021. From the previous problem formulation, the conceptual framework in Figure 1 shows that the Accounting Conservatism variable measured through the Book Value to Market Ratio, the value of intangible assets measured through

the Value Added Intellectual Coefficient (VAIC), and Capital Structure with the Debt to Equity Ratio measure will be tested partially and jointly to identify their impact on company performance. The findings of this study are the main focus that will be used as a guide for investors in evaluating company performance that can be prioritized during the COVID-19 pandemic.

RESULTS

Based on Table 1, there are 118 consumer goods sector companies listed on the Indonesian Stock Exchange, and 54 were listed after 2016. There were no companies that did not publish complete financial reports and annual reports for 2017-2021. However, 17 companies did not present complete data related to research variables and nine companies experienced losses and/or capital deficiencies during 2017-2021. In total, there are 38 companies in the sample with a total sample data of 190.

Analysis of panel data model selection is done through three tests, namely the Chow test, Hausman test, and Lagrange test. The Chow test results obtained a probability value (prob) of 0.766 which is greater than α (0.05). It can be interpreted that the common effect is selected from this Chow test. As for the next test, namely the Hausman test, the probability (prob) value of 0.269 is obtained, which is above 0.05, so the model obtained is the random effect model. For the Lagrange multiplier test, the probability (prob) value of 0.0005 is below α (0.05), which means that the random effect is obtained. If all tests are combined, the test results that can be use in determining the model are random effect models.

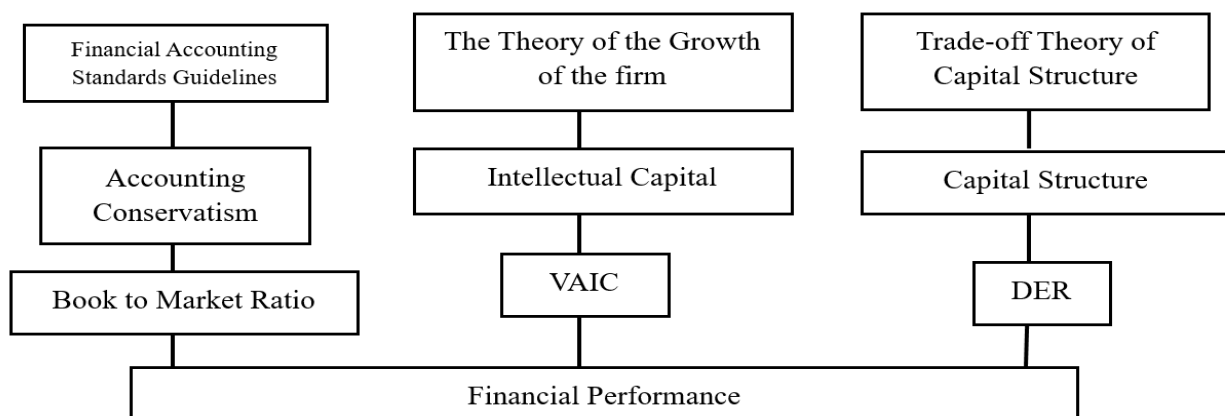


Figure 1. Framework of thinking

Based on Tables 2 and 3, provides an analysis on financial performance and intellectual capital of 38 consumer goods sector companies listed on the Indonesian Stock Exchange which met certain sample selection criteria. Table 2 shows descriptive statistics for the book to market ratio (BMR), Value Added Intellectual Coefficient (VAIC), Debt to Equity Ratio (DER), and Return on Assets (ROA) for 160 observations. Table 3 demonstrates the results of the panel data regression analysis using the random effect model with robust standard errors. The analysis indicates that there is a significant positive relationship between intellectual capital and firm value.

To avoid biased and consistent data, the existing financial data needs to be tested for classical assumptions which include normality test, heteroscedasticity test, multicollinearity test and autocorrelation test. At the initial stage of testing, the Jarque-Bera (JB) probability value is 0.00000 where the value below 0.05. With the results it can be interpreted that the financial data is abnormal. Therefore, it is necessary to eliminate data that is considered unnatural (outliers), namely by eliminating the numbers that have the highest and lowest (negative) values. In this test, researchers reduced the sample of companies by nine companies so that the total eligible for testing was thirty-eight companies (Table 1).

Table 1. Sample selection

Sample Criterion	Number of Companies
Consumer Goods sector company listed on the Indonesian Stock Exchange	118
Consumer Goods sector companies with listing years on the Indonesian Stock Exchange after 2016	(54)
Consumer Goods sector companies did not publish complete financial reports and annual reports for 2017 - 2021	(0)
Consumer Goods sectors companies do not present complete data related to research variables	(17)
Consumer Goods sector companies experienced losses and/or capital deficiencies during 2017-2021	(9)
Number of companies	38
Total Sample Data	190

Table 2. Descriptive statistics

	BMR	VAIC	DER	ROA
Mean	0.867990	4.627187	1.012907	0.085012
Median	0.677567	4.251459	0.708509	0.060448
Maximum	5.629497	13.51210	4.285809	0.526704
Minimum	0.012128	-3.873767	0.002238	-0.213976
Std. Dev.	0.875174	3.080070	0.950825	0.103114
Skewness	2.503042	0.305347	1.633967	1.886524
Kurtosis	11.38197	3.385673	5.246834	7.731049
Jarque-Bera	754.6029	4.130056	124.5107	289.8981
Prabability	0.000000	0.126815	0.000000	0.000000
Observatios	160	160	160	160

Note: BMR (Book Value per Share divided by The Closing Price per Share), VAIC (The Value Added Inteltektual Coefficient is the same as the addition between The Value Added Capital Employed, The Value Added Human Capital, The Structural Capital Value Added), DER (Debt to Equity Ratio), ROA (Return on Assets).

Table 3. Multicollinearity test results

	Coefficient Variance	Uncentered VIF	Centered VIF
C	6.00078	9.042773	NA
BMR	1.00021	2.424643	1.146758
VAIC	1.000041	4.253938	1.172665
DER	8.000087	2.233336	1.047384

Table 4 illustrates that Accounting Conservatism has a significant positive effect of Financial Performance. This is when associated with PSAK as the standard of accounting records recognizes that the principle of conservatism must be carried out in several economic transactions including Merchandise Inventory, Fixed Assets, Other Assets, Amortization of Intangible Assets and Research & Development. Due to the recording of these accounts must be determined based on the policies of each company management by considering the benefits it will get in the future. Hence the benefits it will get is conservative. Robiyanto et al. (2021) and Laith Akram Al-Qudah et al. (2022) in their research found a positive relationship between accounting conservatism and financial performance. The same opinion was also found by Li Cui et al. (2021). The measurement parameter for accounting conservatism is the Book to Market Ratio, which is an indicator for investors of the company performance. The higher the value achieved from this measurement, the more conservative the company is and the lower the decline in the value of its shares on the stock exchange when recognizing the company's operating income and expenses at that time.

Intellectual capital significantly influences Financial Performance as evidenced by the t-test of the log regression coefficient (VAIC) with a value of 0.013, which is lower than 0.05. The higher the value of Intellectual Capital, the greater the value of the company's Financial Performance. Intellectual capital is the intellectual property owned by human resources

to advance the company and increasing revenue (Carlos et al. 2021). Carlos and Maria (2016) have the same opinion and even added that with the ability of Intellectual Capital carried out through the value of the products produced it will result in increased performance. Intellectual capital is measured using Value Added Intellectual Coefficient (VAIC) is the sum of Value Added Capital Employment (VACA), Value Added Human Capital (VAHU), and Structural Capital Value Added (STVA). Resource Based Theory reveals that company's competitive advantage can be achieved through skilled and expert resources in their fields to make the company superior to other companies (Ulum, 2017).

The source of corporate financing from liabilities and equity is the amount of funds provided by creditors to finance the company's operations. This source of financing is the most essential part for the company in creating the company's financial performance. Related to this research, the test results were obtained in the form of a significant influence between capital structure on financial performance. This opinion is in line with the research of Muhammad et al. (2021). Previous researchers revealed that the acquisition of financial performance sourced from debt and equity is one of the management steps in attracting many investors to invest their funds into the company. The more significant the relationship, the more likely management will open up opportunities for creditors and investors to play a role in the company's funding factor (Rita I. Sike et al. 2023; Juan and Gonzalo, 2019; Rizal et al. 2022).

Table 4. Regression test results

	Coefficient	T-Statistics	Prob
C	0.040814	4.855779***	0.000
BMR	-0.018884	-5.325764**	0.000
VAIC	0.013404	11.06026	0.000
DER	-0.012680	-4.168988	0.0001
R-squared	0.628443		
Adjusted R-squared	0.621298		
F-statistics	87.95163		
Prob (F-statistic)	0.000000		

Note: *significance at 10%; ** significance at 5%; *** significance at 1%; BMR (Book Value per Share divided by The Closing Price per Share), VAIC (The Value Added Intellectual Coefficient is the same as the addition between The Value Added Capital Employed, The Value Added Human Capital, The Structural Capital Value Added), DER (Debt to Equity Ratio), ROA (Return on Assets).

The goal of achieving optimal financial performance is to attain positive recognition of the managerial ability in handling the company's owned assets. Proper consideration must be given to the principle of conservatism towards the treatment of certain assets associated with the future benefits that will be obtained. Similarly, the intellectual role of the human resources involved in the company's management also determines the process of profit creation (Nuraini et al. 2022; Gabriel et al. 2022). Additionally, the ability of the capital structure owned by institutions and individuals is also taken into account in achieving satisfactory financial performance (Guangyou et al. 2022). These three factors significantly influence the financial performance of consumer goods companies in this study.

This study aimed to demonstrate how company management could impact their financial performance by applying three distinct theories - PSAK, The Theory of The Growth of The Firm, and Trade-off Theory of Capital Structure. PSAK guides the application of Accounting Conservatism in recording certain accounts, considering their future benefits. On the other hand, the theory of the firm's growth is used to manage and recognize intellectual capital owned by the company to optimize its profits through prioritizing efficiency and effectiveness. Lastly, the Trade-off Theory of Capital Structure regulates the Company's Capital Structure to create profits that provide prosperity for investors and other stakeholders, drawing from concepts established by Modigliani and Miller in 1963, as cited by Wawan Ichwanudin et al. in 2023.

Based on the analysis provided in above, there are several implications for managers seeking to improve their company's financial performance and attract investment from stakeholders. Firstly, the analysis shows there is a positive relationship between intellectual capital and firm value (Jiang Xu and Jingsuo Li, 2020). This suggests that managers should focus on building and leveraging their company's knowledge, skills, and expertise to increase their competitiveness and ultimately improve their financial performance (Nela et al. 2023). This may involve investing in research and development activities, engaging in employee training programs, or pursuing strategic partnerships with other firms or institutions to access and leverage external intellectual capital.

Moreover, according to Agustina et al. (2022), the analysis shows that the debt to equity ratio has a negative impact on firm value. As a result, in order to maintain a healthy financial structure and avoid potential penalties or fees associated with high levels of corporate debt, Deni et al. (2022) suggest that managers should concentrate on effectively managing their company's debt levels. This involves weighing the costs and benefits of various financing options, and pursuing a balanced capital structure that takes into account the trade-offs between the advantages of using debt financing (such as tax benefits and increased leverage) and the risks of higher borrowing costs and the potential for default.

Furthermore, as Carlo D'Agusta (2022) suggests, the analysis demonstrates that accounting conservatism has a positive impact on firm value. Hence, in order to establish trust and credibility with investors, Cedric and Cindy (2022) recommend that managers adopt conservative accounting practices that provide a more cautious perspective of the company's financial position. This may require recognizing losses and other negative events earlier than profits, avoiding optimistic assessments of asset valuations, and ensuring that financial statements are transparent and accurately show the company's financial position.

In general, the research offers valuable insights for managers who aim to enhance their company's financial performance and attract investment from stakeholders. As suggested by Himanshu et al. (2020), managers can create a more stable and sustainable financial position for their company and ultimately increase its value for investors and other stakeholders by comprehending the significance of intellectual capital, effectively managing their debt levels, and adopting conservative accounting practices.

Additional research into the practical advantages of accounting conservatism, intellectual capital, and capital structure in investment decision-making can strengthen the foundation for investors to make well-informed decisions that match their investment objectives, according to Antonio et. al. (2020). By examining the connections between these factors and a company's financial performance, investors can acquire a comprehensive understanding of the risks and opportunities related to investing in a specific company, and can modify their investment strategies accordingly. The benefit of conducting such an analysis, according

to Alexeis et al. (2020), is that it furnishes investors with practical information on how to assess the risks and benefits of investing in specific companies based on the roles of intellectual capital, accounting conservatism, and capital structure in achieving financial performance. By appraising these factors, investors can obtain a more comprehensive outlook on a company's financial position and its future potential, which enables them to make informed decisions that align with their investment objectives.

According to John et al. (2019), the analysis of accounting conservatism provides investors with greater transparency and helps establish trust between the company and its stakeholders. By recognizing losses and profits in a timely and accurate manner, companies demonstrate a commitment to responsible financial reporting, thereby increasing investors' trust in the company. This way, investors have a better understanding of the potential risks associated with their investment, which enables them to make more informed decisions.

Finally, by examining the relationship between capital structure and investor returns, investors can better assess the long-term viability of a company and determine the potential for future growth and profitability. By providing a steady stream of income to investors in the form of dividends, companies also demonstrate their commitment to sharing the benefits of their success with those who have contributed to their growth and prosperity. In conclusion, analysis of accounting conservatism, intellectual capital, and capital structure are essential tools for investors seeking to make informed investment decisions (Umair et al. 2021). By understanding the role of these factors in achieving financial performance, investors can better assess the risks and potential rewards associated with investing in specific companies, and can make decisions that align with their investment objectives.

Another objective of this research is to provide insights for practitioners on how to improve their company's financial performance. By identifying the key drivers of firm value and financial performance, the authors aim to help managers and executives make more informed decisions regarding investments, financing, and other

strategic priorities. This may involve investing in intellectual capital, managing debt levels, or adopting more conservative accounting practices, depending on the specific needs and goals of the company (John and James, 2019).

A related objective of this research is to highlight the importance of intellectual capital in today's digital economy. As more firms rely on intangible assets, such as knowledge, data, and networks, to drive their value creation activities, it becomes increasingly important to understand how intellectual capital impacts financial performance. By providing empirical evidence on the relationship between intellectual capital and firm value, this research gives contributes to the broader discussion on the role of intangible assets in modern business environments.

Finally, this research aims to contribute to the broader academic literature on intellectual capital and firm value. By conducting a rigorous empirical analysis, and by building on existing theories and frameworks, the authors seek to provide new insights and perspectives on the relationship between intellectual capital and financial performance. This research contributes to the ongoing effort to better understand the drivers of firm value, and to uncover strategies that can help firms create and capture value in today's dynamic business environment.

Managerial Implication

Managers can play an important role in improving company performance by considering the factors mentioned in the study, namely accounting conservatism, intellectual capital, and capital structure. To improve company performance, managers can develop strategies to build and leverage intellectual capital, adopt responsible accounting practices, and manage capital structure effectively. In decision-making, managers must carefully consider these factors so that the company can gain competitive advantages and sustainable profits. Although the study provides useful insights, it is acknowledged that the research has limitations, and further research is needed to confirm and expand the findings to cover other factors that affect a company's financial performance.

CONCLUSIONS AND RECOMENDATIONS

Conclusions

The study concluded that intellectual ability in managing company assets, an appropriate capital structure, and conservative financial statement presentation significantly influence financial performance. Managers should consider these variables when making decisions related to investment strategies, firm performance, and profitability to manage risks, build trust, and ultimately succeed in a competitive business environment. However, the research also has limitations, and further studies are needed to explore other factors that may impact financial performance using more extensive studies, qualitative data, and advanced research methodologies. Comparative studies across different regions and industries can also identify similarities and differences in factors affecting financial performance.

Recomendations

In addition to exploring the relationship between accounting conservatism, intellectual capital, and capital structure, future research could examine how factors such as technological innovation, social responsibility, and supply chain management influence financial performance. These areas could offer valuable insights into firms' performance within emerging market economies and aid investors in making well-informed decisions. Moreover, policymakers and regulators could facilitate the development of a conducive business environment by encouraging companies to prioritize the development of intellectual capital, practice accounting conservatism in financial reporting, and maintain a balanced capital structure. This could attract more investments and foster sustainable economic growth in emerging market economies. Overall, conducting more extensive and thorough research on the factors influencing financial performance and the development of conducive policies and regulations will lead to better-informed investors, stronger and more effective firms, and enhanced economic prosperity in emerging market economies.

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