

Governance, Risk and Compliance (GRC) and Intellectual Capital's Impact on the Financial Performance of Indonesian Stock Exchange-Listed Companies That Win Top GRC Awards in 2020–2023

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ABSTRACT

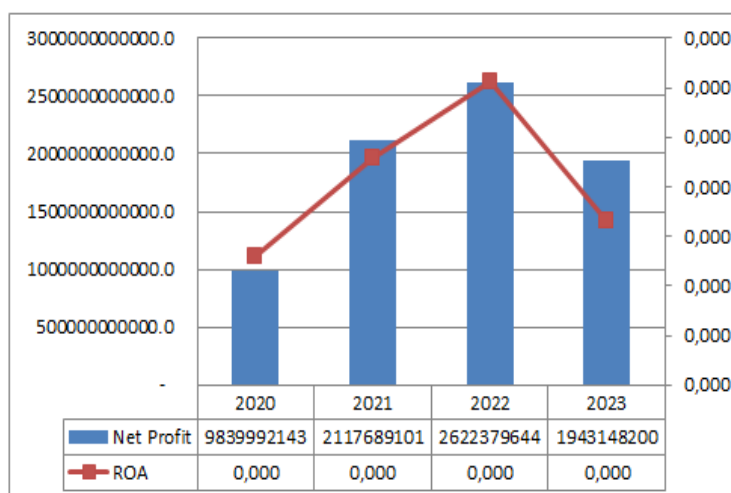
The purpose of this study is to ascertain and evaluate the impact of intellectual capital and governance, risk, and compliance (GRC) on the financial performance of 2019 BEI-listed businesses who get the Top GRC Awards. The approach used to determine the sample was purposeful sampling. During a four-year observation period, samples were obtained from eight companies, yielding thirty-two observations. Panel data regression and Eviews 12 are used in this study's data analysis. The findings of this study indicate that the financial performance (ROA) of the organization is significantly impacted by both intellectual capital and GRC (Governance, Risk, and Compliance). Financial performance (ROA) is not partially impacted by GRC. The financial success of the business is impacted by intellectual capital (ROA).

Keywords : Governance, Risk and Compliance (GRC); intellectual capital; financial performance

INTRODUCTION

Potential investors look at financial performance of a company as well as its operational performance over a certain period of time. Profitability, di sisi lain, describes the company's ability to make net profits from activities that it conducts over a certain period of time. Additionally, profit itself shows the condition of the company's operational performance over a certain period of time and also reflects the company's performance in managing the company so that it is able to return excess capital investors (Rachmawati et al., 2020).

Companies truly need to know and assess their financial performance in order to determine their level of success based on the financial operations they have completed (Rachman et al., 2024). Kasmir (2019:5) asserts that a firm's financial performance is an indication of its financial standing over a specific time period, regardless of whether the organization has met its goals. The research objects used are companies that have won the Top GRC Awards listed on the Indonesia Stock Exchange in 2020 - 2023. There are 34 companies that have won the Top GRC Award listed on the Indonesia Stock Exchange in 2020 – 2023. Financial performance data of companies winning the Top GRC Awards listed on the Indonesia Stock Exchange for the period 2020 - 2023, can be seen in the following Figure 1.



Source: processed data

Figure 1
Financial Performance of Companies Winning Top GRC Awards 2020 - 2023

The company's net profit as determined by the ROA of the Top GRC Awards winning companies listed on the Indonesia Stock Exchange in the 2020–2023 period is known to have increased in 2020–2022, but there will be a significant decline in 2023, as shown in Figure 1. The financial success of the company, as indicated by the ROA of Top GRC Award-winning companies listed on the Indonesia Stock Exchange, had a notable uptick in 2020–2022 but a fall in 2023. This demonstrates how net profit and return on assets (ROA) vary when total assets tend to rise. To enhance the financial performance of a company in the upcoming year, it is imperative to identify the reasons for uneven profitability figures. A company's financial performance can rise or fall due to both internal and external causes. Internal corporate elements that might affect a business's bottom line include intellectual capital and the application of Governance, Risk, and Compliance (GRC) (Habsyi et al, 2021).

The goal of Governance, Risk, and Compliance (GRC) is to increase efficiency and activity throughout the business by harmonizing people, technology, processes, and strategy. It is an integrated and comprehensive approach to risk, compliance, and governance. The results show that while tighter financial reporting accounting requirements have helped Indonesian firms become more transparent, there are still some anomalies in trade and insider trading (GRC Forum Indonesia, 2020).

Numerous earlier studies, including one by Habsyi et al. (2021), examined governance, risk, and compliance (GRC). The findings of these studies indicate that GRC improves the performance of businesses. Studies carried out by Pertiwi & Muslih (2023) The study's findings provide an explanation for the negligible positive influence that GRC has on financial success. The implementation of GRC has not been done as well as it could have been, according to study by Anatasya & Novita (2019), who also noted that Governance, Risk, and Compliance are the only hazards that significantly affect a company's performance, both financially and non-financially. Financial performance is not impacted by governance, risk, or compliance all at once, according to Maulana & Irdianty (2022). As for the governance and compliance factors, they have no bearing whatsoever on the financial success of BUS in Indonesia; only the risk variable has a partial impact on financial performance. Research on GRC has produced inconsistent results, according to multiple studies.

Increasing efficiency and activity, Governance, Risk, and Compliance (GRC) is an integrated approach to managing risk and compliance across an organization. It aligns strategy and processes and makes sure the organization follows external and internal regulations, technology, people, and ethical standards (Sudrajat, 2025). GRC can be understood as a methodical approach to handling governance, risk management, and compliance concerns related to every legislation. Pertiwi & Muslih (2023) cite the IBFG Institute (2017) that the relationship between these three notions starts with the establishment of compliance requirements through appropriate compliance regulations. Intellectual

capital is an additional component in addition to GRC implementation. Because intellectual capital is a valuable asset to a firm, it can also have an impact on its financial performance. The secret value of a business is its intellectual capital. This is due to the fact that, unlike traditional assets (physical goods), intellectual capital is not always readily apparent; instead, it can be seen in financial records that have been made public (Rahmadi & Mutasowifin, 2021).

A company's intellectual capital is a valuable asset. The development of intellectual capital in Indonesia has started since the introduction of PSAK No. 19 (revision 2000) on intangible assets. Inadvertently, this helps businesses reveal comprehensive data on their intellectual property, which adds value to the business. According to Fathonah & Apriliana (2021), an entity's financial performance can be further enhanced by leveraging intellectual capital to enhance its competitiveness in the market. Companies have not paid enough attention to the components of intellectual capital in order to lessen the information gap between shareholders, other parties, and company management because intellectual capital is still not widely understood in the general public (Andriana et al., 2023).

Although it can be challenging to quantify precisely, intellectual capital is a highly important intangible asset of a business. Intellectual property (such as patents, trademarks, and copyrights), goodwill, and brand awareness are examples of a company's intangible assets. Knowledge and information that creates added value efficiency in creating wealth for a business is what Stewart (1997) defines as intellectual capital (Landion & Hexana, 2019). All procedures and assets that are typically not displayed on the balance sheet, as well as any intangible assets that are taken into account using contemporary accounting techniques, are included in what Roos et al (1997) defines as intellectual capital (Rosiana & Mahardhika, 2021). Ulum states in Rahmadhanty (2020) that the difference between the market value of the company's assets (financial capital) and the book value of those assets (the company business) is typically used to determine intellectual capital.

According to research by Habsyi et al. (2021), a company's financial performance might be positively impacted by its intellectual capital. Subsequently, studies Rahmadi & Mutasowifin (2021) clarify that intellectual capital has a substantial and favorable impact on financial success. According to research by Rosiana & Mahardhika (2021), return on assets (ROA) is significantly positively impacted by the intellectual capital variable. According to study by Landion & Hexana (2019), intellectual capital has a beneficial impact on a company's financial performance. Following that, research was done by Kurniawati et al (2020), and the findings of the study demonstrated that measuring intellectual capital using human capital efficiency (VAHU) and measuring intellectual capital using structural capital efficiency both had a positive impact on the financial performance of the business. The purpose of this study is to ascertain and evaluate the impact of intellectual capital and governance, risk, and compliance (GRC) on the financial performance of firms that are listed on the Indonesia Stock Exchange and have won the Top GRC Awards between 2020 and 2023.

METHODS

The associative method is the research methodology employed in this study. A total of 34 firms that were listed on the Indonesia Stock Exchange between 2020 and 2023 and were winners of the Top GRC Awards comprise the study's population. 32 observation data were obtained from samples gathered from 8 companies throughout a four-year observation period. The analysis used is panel data regression analysis because the data used is a combination of time series data and cross section data. Panel data regression analysis is a regression analysis tool where the data used is a combination of cross section data and time series data. Testing the coefficient of determination and simultaneous hypothesis testing with the F test and partial hypotheses with the t test. Data processing is assisted by the eviews version 12.

RESULTS

Table 1
Panel Data Regression Test

Variable	Coefficient	Std. Error	t-sts	Prob.
C	-0.17869	0.0906	-1.795	0.084
GRC (X1)	0.04236	0.0229	1.854	0.075
ICI (X2)	0.00729	0.0009	7.816	0.000
Effects Specification				
Period Fixed (Dummy Variables)				
R-squared	0.716269			
Adjust R-squared	0.661706			
F-statistic	13.12724			
Prob. (F-statistic)	0.000002			
Durbin-Watson stat	1.714121			

Source: processed data

Based on Table 1. constant values and regression coefficients, a panel data regression equation can be formed as follows:

$$Y = -0,178692 + 0,042362 (X_1) + 0,007295 (X_2)$$

The above equation can be interpreted as follows:

- The constant value is -0.178692, which indicates that the financial performance variable (ROA) of the company has a value of -0.869217 if the intellectual capital (X2) and GRC variables have zero (0). This suggests that at the point -0.178692, the regression lines will cross the Y axis.
- The GRC variable has a regression coefficient of 0.042362 with a positive sign, indicating that the company's financial performance (ROA) is expected to grow by 0.042362 with each increase in GRC when other independent variables are taken to be constant. The intellectual capital variable has a regression coefficient of 0.007295, which indicates a positive sign. This means that if other independent variables are held constant, an increase in intellectual capital is expected to result in a 0.007295 increase in the company's finances (ROA).

The company's financial performance (ROA) in this study can be influenced by the variability of the dependent variables GRC and intellectual capital, according to the results of testing the coefficient of determination in Table 2. The remaining percentage, or 28,37%, is explained by variables outside the research model.

Table 1 shows that the Fcount value obtained is 13.12724 and is greater than the Ftable of 3.37. Apart from that, it can be seen from the significance value, which is $0.000002 < 0.05$, so that in accordance with the hypothesis testing criteria, it is rejecting H_0 and accepting H_a , meaning Simultaneously, GRC and intellectual capital have a significant effect on the company's financial performance (ROA). This test basically aims to show how much influence an independent variable individually has in explaining the dependent variable. In this research, the statistical t test shows how much influence GRC and intellectual capital individually have in explaining variations in company financial performance (ROA). Based on the results of testing the coefficient of determination in Table 1.

- The significance value of the GRC variable is $0.0751 > 0.05$ (significance level). Apart from that, it can also be seen from the results of the comparison between tcount of 1.8540 while ttable 2.0484 means $tcount < ttable$, so it can be concluded that H_a is rejected and H_0 is accepted, meaning that partially the GRC variable has no effect on the company's financial performance.
- The significance value of the intellectual capital variable is $0.0000 < 0.05$ (significance level). Apart from that, it can also be seen from the results of the comparison between tcount of 7.8164 while ttable 2.0484 means $tcount > ttable$, so it can be concluded that H_a is accepted and H_0 is rejected, meaning that the intellectual capital variable partially influences the company's financial performance (ROA).

The study's findings indicate that, for the 2020–2023 period, companies listed on the Indonesia Stock Exchange that receive the Top GRC Award did not see a change in their financial performance due to the GRC variable. This explains why financial performance (ROA) of companies who receive the Top GRC Award does not always grow. Several businesses that received the Top GRC Award and served as research samples attest to this, including: PT. Pan Brothers Tbk received a

declining ROA from 2020 to 2023; even in 2023, it received a 5-star Top GRC Award, but its ROA was negative (-). Next, PT. Phapros Tbk received an average of 4 stars from Top GRC for the 2020–2023 period, but its ROA fluctuated. PT. Bank CIMB Niaga Tbk received a 5-star Top GRC Award for the 2020–2023 period, but its average received a five-star Top GRC Award, but its ROA fluctuated. Finally, PT. Wijaya Karya (Persero) Tbk received an average of 4 Top GRC Awards, but their ROA fluctuated; even in 2023, the ROA was negative (-).

According to study findings, financial success is influenced by intellectual capital. According to these findings, the financial performance (ROA) of the company will rise with each growth in intellectual capital. From this condition, it can be understood that the company's profits from its total assets will rise if it can optimize the performance of its intellectual capital. To impact financial performance, the organizations that served as examples for this study effectively leveraged their intellectual capital.

CONCLUSION

Governance, Risk, and Compliance (GRC) has no effect on financial performance (ROA) of Top GRC Award-winning companies listed on the Indonesia Stock Exchange for the period 2020–2023. Intellectual capital affects the financial performance (ROA) of Top GRC Award-winning companies listed on the Indonesia Stock Exchange for the period 2020–2023. The financial performance of companies listed on the IDX in 2020–2023 and getting the Top GRC Award is influenced by governance, risk, and compliance (GRC) and intellectual capital.

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