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The Effect of Integrated Governace, Risk and Compliance (GRC) on Firm Value Through Finacial Performance

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Abstract

The purpose of this study was to test and analyze the effect of GRC and Intellectual Capital on firm value through financial performance in banking companies. The population in this study are all banking companies listed on the Indonesia Stock Exchange for the 2021-2023 period. Sampling using purposive sampling method. The data used is secondary data sourced from annual reports and financial reports. The data analysis technique used in this research is the SmartPLS 4 program. The results of this study indicate that GRC has no significant effect on financial performance and firm value, Intellectual capital has no effect on firm value but intellectual capital has a significant and positive effect on financial performance. Furthermore, financial performance has no influence on firm value. GRC mediated by financial performance has no effect on firm value. Intellectual Capital mediated by financial performance has no effect on firm value.

Keywords: Compliance, Financial Performance, Firm Value, Governace, GRC, Intellectual Capital, Risk.

1. INTRODUCTION

The existence of a company is inseparable from certain objectives to be achieved, both in the short term such as profitability, as well as in the long term such as growth and business sustainability. To realize these goals, companies need a variety of resources, including human resources, technology, and capital obtained from capital owners or investors. Investors have an expectation to obtain financial returns or returns on the capital they invest, either in the form of dividends or share price appreciation (Brigham and Houston, 2010: 7). Therefore, the company has the responsibility to manage its resources effectively and efficiently to ensure the achievement of stockholder wealth maximization.

Firm value reflects the selling price that potential investors consider appropriate or the amount that investors are willing to pay if the company is traded (Fuad et al., 2006: 23). For companies that have gone public, company value is reflected in the price of shares traded on the stock exchange. The higher the share price of a company, the higher the value of the company in the eyes of investors. High stock prices are often considered good news for investors because they reflect market expectations of potential growth and good company performance.

The implementation of the Governance, Risk, and Compliance (GRC) concept is an important element for companies to maintain business sustainability and increase competitiveness in the market, But in fact, the implementation of GRC is still in silo so that it does not provide added value to the organization. The siloed GRC condition is reflected in

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the form of weak coordination, conflict/overlap, gaps, and cost inefficiencies. (GRC Forum Indonesia, 2020)

Based on the results of the GRC Maturity Survey conducted by the Open Compliance & Ethics Group (OCEG) in 2019, 14% of respondents have fully or substantially integrated GRC processes and technology, while 23% still have GRC that is compartmentalized (silo), while the rest do not have an adequate level of GRC maturity.

Intellectual Capital was first coined by Galbaraith in 1969. Intellectual Capital is another term for intangible assets. Intellectual Capital (IC) is an invisible asset and is a combination of human, process and customer factors that provide a competitive advantage for the company (Bukh, P. ., Larsen, H, 2015). Intellectual Capital (IC) is recognized as one of the most important intangible assets in the information and knowledge era. Intellectual Capital (IC) by Nahapiet, J., & Ghoshal (1998) refers to the knowledge and abilities possessed by a social collectivity such as an organization, intellectual community, or professional practice. Intellectual Capital (IC) represents a resource that is valuable and capable of acting on knowledge. Business people realize that the disclosure of intellectual capital will give positive things to the company's performance. Because if the company provides information about intellectual capital, it will certainly increase a positive response to investors so that it can increase stock prices (Nimtrakoon, 2015). The relationship between intellectual capital and the company's financial performance has been proven by several researchers in Indonesia and abroad.

2. LITERATURE REVIEW

- **Resource Based Theory**

Resource Based Theory is a theory that illustrates that companies can increase competitive advantage by developing resources so as to direct the company to survive in the long term (Grant, 1991). In the view of resources based theory, companies will excel in business competition and have good financial performance by owning, controlling and utilizing important strategic assets (tangible and intangible). According to Susanto (2007), there are two main things that organizations need to compete. First, having an advantage in resources both tangible and intangible assets. Second, the ability to manage resources so that they can be utilized effectively. The combination of assets and the ability to manage claimed resources will create a certain characteristic for the company, making it superior to competitors.

Intellectual Capital is an intangible asset owned by the company, while GRC is a strategy used by the company in managing company resources. In accordance with the view of resource-based theory, ownership of intellectual capital and utilization of GRC will provide value added to the company to excel in business competition.

- **Agency Theory**

The process of increasing firm value often results in urgency issues between agents (managers) and principals (shareholders). Agents place their own interests above the core objectives of the company and often ignore the interests of the principal. This gap in interests between managers and shareholders is known as an agency conflict (Hariati & P, 2020). The implementation of effective governance, risk and compliance aims to reduce the possibility of these conflicts of interest. Managers will behave in accordance with the company's principle objectives if share ownership among managers increases because managers will be motivated to improve their performance. The ability of the board of commissioners to supervise is also a beneficial function of the duties and independence of the independent board of commissioners. The quality of the reports provided is also the responsibility of the board of commissioners. Through good corporate governance and its proper implementation, it can reduce the impact of conflicts of interest and can improve financial performance.

- **Firm Value**

The main goal of a company is to maximize wealth or company value (Mutasowifin, 2021). Firm value itself is defined as investors' perceptions of the company's success rate related to its share price (Sujoko and Soebiantoro 2007). Meanwhile, according to Husnan et al (2004) company value is the price that prospective buyers are willing to pay if the company is sold. Meanwhile, Brigham and Erhardt (2002) argue that firm value is the determination of the comparison of results as the company's performance contained in the financial statements.

In principle, the firm value can be represented through the company's share price because the market price of the company's shares reflects a comprehensive investor assessment of each equity owned. The stock market price shows the market participants' judgment, a barometer of the company's management performance (Kembaren, 2022). The higher the company value, the greater the prosperity that will be received by shareholders.

In this study, the stock price approach is used to determine firm value. The ratio that used to measure firm value is the Tobin's Q (Q) ratio.

- ***Governance, Risk* dan *Compliance***

According to GRC Forum Indonesia (2020) GRC is an integrated and holistic approach to an organization's to ensure an organization acts ethically and in accordance with its risk appetite, internal policies, and external regulations through the alignment of strategy, processes, technology and people, so that policies, internal policies, and external regulations through the alignment of strategy, processes, technology and people, thereby improve efficiency and effectiveness.

Each of the Governance, Risk Management, and Compliance disciplines consists of four basic components: strategy, processes, technology, and people. The organization's risk appetite, internal policies and external regulations are the GRC rules. The disciplines, components, and rules of the organization must be combined in an integrated, holistic, and organization-wide manner (the three key characteristics of GRC). Organization (three key characteristics of GRC) - aligned with the (business) operations managed and supported through GRC.

- **Intellectual Capital**

Intellectual capital is an intangible asset that owned by a company such as knowledge, skills, information, and others which, if it can utilize this asset, will provide a competitive advantage for the entity. (Ramadhani & Sulistyowati, 2023) Intellectual capital consists of relational capital, human capital, and structural capital (Chen, 2005). Human capital includes the capacity, skills, competencies, and knowledge of the company's employees. It includes competencies possessed by individuals, such as analytical skills, creativity, and the ability to work in teams. Structural capital includes the systems, procedures and networks that a company uses to manage its intellectual assets. Relational capital includes the relationships that the company builds with external parties, such as customers, partners, and competitors.

One form of intellectual capital measurement that is often used is the Value Added Intellectual Coefficient (VAIC) method discovered by Pulic (1998). The VAIC method is designed to present information about the efficiency of intellectual potential in a company (Pulic, 1998).

- **Financial Performance**

Financial performance is the result or achievement achieved by the company. Freedman and Jaggi (1982, 1992) in Nurleli and Faisal 2016 state that the company's financial performance is ultimately reflected in the profit / profit generated. The success of management in managing the company can be seen from its financial performance as indicated by the amount of sales, assets owned, labor and ratio analysis, which are presented in the financial statements.

In analyzing financial performance, there are several financial ratio analysts that can be used. According to Jumingan (2006) in Camilia (2016), financial ratio analysis is an analysis by comparing one report item with other financial statement items, either individually or together in order to determine the relationship between certain items, both in the balance sheet and in the income statement**.** Financial performance in this study is defined as profitability. Profitability can be defined as the company's ability to generate profits using the resources owned by the company, such as assets, capital, or company sales (Sudana, 2011: 22). So based on the above definition, financial performance in this study is measured using profitability ratios, one of which is by using Return on Asset (ROA). Return on Asset shows the company's ability to use all assets owned to generate profit after tax. This ratio is important for management to evaluate the effectiveness and efficiency of company management in managing all company assets. The greater the ROA, the more efficient the use of company assets.

- **The Effect of Governance, Risk and Compliance (GRC) on Firm Value**

Agency theory states that agency conflict occurs because the parties involved, namely the principal (who gives the contract or shareholders) and the agent (who receives the contract and manages the principal's funds) have conflicting interests. If the agent and principal try to maximize their respective utilities, and have different desires and motivations, the agent (management) does not always act according to the principal's wishes.

Governance, Risk, and Compliance (GRC) is an integrated approach to corporate management that includes aspects of corporate governance (governance), risk management, and regulatory compliance (compliance) (GRC Forum Indonesia, 2020). These three elements are interrelated and make an important contribution in creating sustainable corporate value. GRC integration helps companies manage risk, improve governance, and ensure regulatory compliance, which can ultimately impact enterprise value.

Kembaren et al (2022) in their research found that GRC has a significant and positive effect on firm value proxied by Tobin's Q value. while Siahaan et al (2023) found that GRC implementation is very effective in preventing and detecting corruption So, based on the description above, the hypotheses in this study are:

H_1: Compliance, Risk and Compliance (GRC) Affect the firm value

- **Intellectual Capital on Firm Value**

Intellectual capital is an intangible asset that owned by a company such as knowledge, skills, information, and others which, if it can utilize this asset, will provide a competitive advantage for the entity. (Ramadhani & Sulistyowati, 2023) Intellectual capital consists of relational capital, human capital, and structural capital (Chen, 2005). Highly skilled employees can increase productivity, create innovation, and strengthen the competitiveness of the company. Studies by Pulic (1998) show that companies with strong human capital tend to have better financial performance, which is reflected in high stock prices and increased firm value.

Salvi et al (2020) in their research found a significant positive relationship between the three components of Intellectual Capital (structural, human, social and relationship) on firm value. Rahmadi and Mutasowifin (2021) in their research also found the same result, that Intellectual Capital has a positive relationship with firm value.

H_2: Intellectual Capital Affects Firm Value

- **The Effect of Governance, Risk and Compliance (GRC) on Financial Performance**

Governance, Risk, and Compliance (GRC) is an integrated approach to corporate management that includes aspects of corporate governance (governance), risk management, and compliance with regulations (compliance) (GRC Forum Indonesia, 2020). These three elements are interrelated and are thought to make an important contribution in efforts to improve company performance.

Companies that implement GRC have a sustainable strategy and focus on developing priority programs so that they affect company performance (Habsyi et al, 2021). Habsyi et al (2021) in the study found that implementation of GRC has a positive effect on the company performance of Top GRC Award winning companies. Anastasya and Novita (2019), Maulana & Iradianty, (2022) found that only risk affects the company's financial performance.

H_3: Governance, Risk and Compliance (GRC) affect on Financial Performance

- **Effect of Intellectual Capital on Financial Performance**

The competitiveness of the company is obtained from the ownership of valuable resources that are not owned by competitors, which allows the company to achieve a competitive and profitable position in order to maintain its market position and obtain superior performance (Xu and Liu, 2020) Therefore, companies need to identify, maintain, and develop their resources. the talented employees are able to effectively work with each other to rapidly develop new ideas (Z Wang, 2018). In addition, by investing in structural capital, companies can improve their work processes, thereby improving the quality of production/service, facilitating communication, and solving problems with efficiency and effectiveness (Zwang et al, 2018). Relational capital enables the exchange of knowledge and other resources between a company and its stakeholders to develop better relationships with its partners and customers, so that its business can be reviewed and optimized through learning from others' experiences and lessons (Zwang et al, 2018). Therefore, relational capital will not only contribute to cost reduction and quality improvement, but will also lead to productivity, responsiveness, and even profitability.

H_4: Intellectual Capital affect on Financial Performance

- **The Effect of Financial Performance on Firm Value**

Financial performance is one of the factors that can indicate the success of a company in achieving its goals (Habsyi et al, 2021) Information about company performance is useful as information to determine the policies that will be taken by the next management. Financial performance can be seen from the profits generated by the company. Profit is very important for the company because to continue its life a company must be in a profitable condition, without profit it will be difficult for the company to obtain capital from outside (Zeghal & Maaloul, 2011). Levy and Sarnat (1990:5-6) state that efforts to increase corporate profits have a direct relationship with rising share prices. This is supported by research by Habibi and Andreany (2018) and Setiawati and Lim (2018) who found that profitability has a positive effect on firm value. Prastyatini and Utami (2024) found that financial performance has a positive influence on firm value.

H_5: financial performance affect firm value

- **The effect of GRC on Firm Value mediated by Financial Performance**

Governance, Risk, and Compliance (GRC) is an integrated approach to corporate management that includes aspects of corporate governance (governance), risk management, and regulatory compliance (compliance) (GRC Forum Indonesia, 2020). These three elements are interrelated and are thought to make an important contribution in efforts to improve company performance. Good governance encourages operational efficiency, transparency, and effective supervision, which ultimately improves financial performance. With increased profits and efficiency, the value of the company increases because investors tend to value companies with good governance more and worthy of investment. Effective risk management can reduce losses due to uncertainty that occurs. Implementation of compliance with existing regulations can minimize the occurrence of ligitation risks that can cause costs for the company. By minimizing operational costs, it is expected that profitability will remain stable, thus gaining the attention and trust of investors and affecting the value of the company.

H_6: GRC Affect on Firm Value mediated by Financial Performance

- **Effect of Intellectual Capital on Firm Value mediated by Financial Performance**

Intellectual Capital consists of three main components, namely human capital, structural capital, and relational capital (Chen, 2005). The collection of knowledge possessed by individual employees has a strategic role for companies to survive and grow in a dynamic environment (Bontis et al., 2007 in Z Wang et al 2018). Because companies always need knowledgeable individuals who have experience and excellent problem-solving skills, as well as the competence to make feasible or effective decisions under time pressure, In addition, competent human resources can improve financial results because talented employees can find better ways to increase sales revenue and reduce costs. (Zwang et al, 2018)

By utilizing Intellectual Capital optimally, companies can improve financial performance. Good financial performance increases the attractiveness of the company in the eyes of investors. Investors view profitability and financial stability as indicators of the company's success and sustainability.

H_7: Intellectual Capital Affect on Firm Value mediated by Financial Performance

3. METHODS

The type of research that researchers use is a quantitative approach. Based on data sources, this study uses secondary data. Secondary data is data obtained by researchers indirectly through intermediary media. The data source in this study is documentary data, namely the annual reports of banking companies listed on the Indonesia Stock Exchange in 2021-2023. This report can be accessed officially on the official IDX website. The population in this study are banking companies listed on the Indonesia Stock Exchange (IDX) from 2021 to 2023. The sampling method in this research is purposive sampling, which is a sampling method based on certain criteria. The data type used is the secondary data downloaded from the company's official website. The multiple linear regression analysis methods were processed using SMARTPLS software.

Table 1. Operationalization of Relationships Between Variables Definition

No	Variabel	Definition	Indicator	Measurement
1	GRC	GRC is an integrated and holistic approach to organizations to ensure an organization acts ethically and in accordance with risk appetite, internal policies and external regulations through alignment of strategy, processes, technology and people, thereby increasing efficiency and effectiveness. (GRC Forum Indonesia, 2020	GRC Forum Indonesia	GRC Index: Number of Indicators disclosed/ Number of Indicators that should be disclosed
2	Intellectual Capital	Intellectual Capital Intellectual capital (IC) as a company knowledge that can be used in business processes to create added value for the company. (Zeghal and Maaloul, 201	VAIC	VAIC= VACA + VAHU + STVA
3	Financial Performance	How good is the return on investment seen from how much return or return from assets.	ROA	Profit After Tax/ Total Assets Ratio
4	Firm's Value	The selling price that is considered feasible by potential investors or the price that investors are willing to pay if a company is to be sold.	Tobin's Q	$Tobin's\ Q = \frac{MVE + DEBT}{TA}$

4. RESULTS

After the sample is obtained based on the criteria that have been determined in this study, then descriptive statistical analysis is carried out based on the data that has been obtained from the Annual Report for the 2021-2023 period**.**

Statistic Descriptive

Based on the table 2, the analysis descriptive can be summarized as follows GRC has high mean scores with small variations, indicating consistent implementation of governance, risk and compliance across most companies.Intellectual Capital shows considerable variation, reflecting that intellectual capital management differs significantly between companies. Financial performance has wide variation, with some companies showing very low financial performance and others very high. Firm's value shows significant differences in market value between firms, indicating other factors beyond financial performance and IC influence firm value.

Table 2. Statistic Descriptive

	N	Mean	Median	Minimum	Maximum	Standard Deviation
GRC	105	0,934	0,960	0,710	1,000	0,072
IC	105	2,630	2,477	1,106	6,227	1,116
KINKEU	105	1,878	1,550	0,040	11,430	1,806
NP	105	1,404	0,980	0,440	18,340	1,823

Source:ouput 2024

Outer Model

Convergent Validity

Convergent Validity value is calculated by the loading factor value of each indicator and is used to test the construct validity and reliability of the instrument. There is criteria to assess whether the outer model meets the requirements of convergent validity for reflective constructs, the outer loading must be > 0.70. Based on table 3, it is known that each research variable has met the requirements for the outer loading value because it is > 0.7. This shows that all constructs in this study is valid and meet the convergent validity criteria.

Table 3. Outer Loading

	GRC	IC_	KINKEU	NP_
GRC	1,000			
IC		1,000		
KINKEU			1,000	
NP				1,000

Source:ouput PLS2024

Discriminant Validity

Based on table 4, it is found that the research variable indicators cross loading value > 0.70 and > the cross loading value of other variables. So it can be explained that the indicators used for variable measurement in research are valid.

Table 4. Cross Loading

	GRC	IC_	KINKEU	NP
GRC	**1,000**	0,002	-0,062	-0,115
IC	0,002	**1,000**	0,597	0,119
KINKEU	-0,062	0,597	**1,000**	0,007
NP	-0,115	0,119	0,007	**1,000**

Source:ouput PLS2024

Composite Realibility

Assessment of composite reliability is done by looking at the composite reliability and Cronbach's alpha values. A construct is said to be reliable if the value of composite reliability and Cronbach's alpha is ≥ 0.70. In the results of the reliability analysis in table 5, the value of all variables Cronbach's Alpha and Composite Realibility values are> 0.70. So it can be stated that the measuring instrument used in this study is reliable with a very good value.

Table 5. Composite Reliability dan Cronbach's Alpha

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
GRC	**1,000**	**1,000**	**1,000**	**1,000**
IC_	**1,000**	**1,000**	**1,000**	**1,000**
KINKEU	**1,000**	**1,000**	**1,000**	**1,000**
NP	**1,000**	**1,000**	**1,000**	**1,000**

Source:ouput PLS2024

Model Feasibility Analysis

R Square

Based on the table 6, financial performance, the R-Square value is 0.36, which means that about 36% of the variance in financial performance can be explained by the variables of governance, risk and compliance (GRC) and intellectual capital. Meanwhile, for firm value as measured by Tobin's Q, the R-Square value of 0.035 indicates that only 3.5% of the variance in firm value can be explained by the independent variables in the model.

Table 6. *R-Square*

	R Square	R Square Adjusted
KINKEU	0.36	0.348
NP	0.035	0.007

Source:ouput PLS2024

Hypothesis Test

Path Cofficient

Based on the table 7, the Governance, Risk and Compliance (GRC) variable has no effect on firm value with a p-value of 0.092 or ≤0.05. Intellectual capital on firm value has p-value 0.382 or >0.05, and indicated that intellectual capital has no effect on firm value. the Governance, Risk and Compliance (GRC) variable has no effect on financial performance with a p-value of 0.605 or ≤0.05. the intellectual capital variable has effect on financial performance with a p-value of 0.000 or <0.05. the financial performancevariable has no effect on firm value with a p-value of 0.401. or >0.05

Tabel 7. *Path Coefficient*

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
GRC -> ROA	-0.064	-0.054	0.123	0.52	0.605
GRC -> TOBINS Q_	-0.123	-0.143	0.074	1.687	0.092
IC_ -> ROA	0.597	0.619	0.088	6.831	0.000
IC_ -> TOBINS Q_	0.185	0.284	0.214	0.866	0.387
ROA -> TOBINS Q_	-0.111	-0.117	0.132	0.839	0.401

Source:ouput PLS2024

Indirrect Effect

Based on the table 8, shows a path coefficient value of 0.007 with a p-value 0.746 or > 0.05. The p-value > 0.05 indicates that the hypothesis is rejected, namely Governance, Risk and Compliance (GRC) mediated by financial performance has no significant effect on firm value. and Intellectual capital mediated by financial performance has no significant effect on firm value because the p value 0.493 or >0.05

Tabel 8. *Indirect Effect*

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
GRC -> ROA -> TOBINS Q_	0.007	0.006	0.022	0.323	0.746
IC_ -> ROA -> TOBINS Q_	-0.066	-0.077	0.096	0.686	0.493

Source:ouput PLS2024

5. DISCUSSION

The Effect of Governance, Risk and Compliance (GRC) on Firm Value

Based on the results of hypothesis testing, the effect of governance on firm value shows a negative path coefficient value with an original sample value of -0.123 and an average of -0.147. The p-value greater than 0.05 indicates that this relationship is not statistically significant, meaning that Governance, Risk and Compliance (GRC) has no significant relationship to firm value.

This finding is consistent with previous research conducted by Dewi and Aryati (2024), which shows the results that GRC has no influence on financial performance and firm value. However, the results of this study differ from research conducted by Widiarti (2023), which found that GRC has a significant relationship to the company's value creation. Kembaren et al (2022) found that GRC has a positive effect on firm value.

These results imply that the presence of strong Governance, Risk and Compliance (GRC) practices is not directly perceived by investors or reflected in the market value of the firm. This suggests that investors may prioritize other factors, such as profitability, growth potential, or innovation, over compliance and governance practices when assessing firm value.

The Effect of Intellectual Capital on Firm Value

Based on the results of hypothesis testing, the effect of Intellectual capital on firm value shows the path coefficient value with an original sample value of 0.185 and an average of 0.284. The p-value of 0.387 which is greater than 0.05 indicates that this relationship is not statistically significant, meaning that Intellectual Capital has no significant relationship to firm value.

According to the resource-based theory, the more optimal the use of the company's assets, the more added value the company receives, so that financial performance increases, which ultimately leads to an increase in company value. This study cannot confirm this idea. According to this study, intellectual capital as a corporate asset has no impact on improving the company's financial performance.

The results of this study provide different results from previous studies. Wahyuni et al (2020), Mutasowifin (2021) found that intellectual capital has a positive and significant effect on firm value. However, this study provides results that are consistent with the results of research conducted by Hermawan et al (2021).

Differences in financial performance between companies are often caused by a lack of management understanding of the importance of managing and utilizing intellectual capital optimally. Hermawan et al. (2021) argued that non-optimal intellectual capital management can make its application less effective, so that the strategic benefits are not fully felt by the company.

The Effect of Governance, Risk and Compliance (GRC) on Financial Performance

Based on the results of hypothesis testing, the effect of governance on financial performance shows a negative path coefficient value with an original sample value of -0.064 and an average of -0.054. The p-value which is greater than 0.05, namely 0.605, indicates that this relationship is not statistically significant, meaning that Governance, Risk and Compliance (GRC) has no significant relationship to financial performance.

The results of these findings differ from the research results obtained by Habsyi et al (2021), Anastasya and Novita (2019) they found that GRC has a positive influence on financial performance. Companies with higher Governance, Risk and Compliance (GRC) ratings tend to have better performance (return on assets.

However, the research is consistent with the results of research conducted by Dewi (2024), Pertiwi and Muslih (2023) who found that GRC has no effect on financial performance. The application of GRC has no effect on the company's financial performance because the application of GRC is often indirectly felt by the company, such as governance and compliance, and does not directly affect financial metrics such as revenue or profit so that it is not directly reflected in the financial statements (Anastasya & Novita, 2019).

This indicates that the implementation of Governance, Risk and Compliance (GRC) practices alone may not directly translate into better financial results for companies. It may not inherently improve profitability or efficiency unless coupled with operational improvements or strategic initiatives.

Effect of Intellectual Capital on Financial Performance

Based on the results of hypothesis testing on the effect of intellectual capital on financial performance, it shows a positive path coefficient value with an original sample value of 0.597 and an average of 0.618. The p-value which is smaller than 0.05 indicates that this relationship is statistically significant, meaning that Intellectual Capital has a significant and positive effect on financial performance in this model. Thus, it can be concluded that the hypothesis is accepted, because there is a positive influence and a significant relationship.

The results of this study are consistent with Mutasowifin (2021) which states that Intellectual Capital as measured using VAIC has a positive effect on ROA and ROE. Previously, Tan et al. (2007) examined IC on the Singapore stock exchange, also proving that intellectual capital has a positive influence on current and future company performance. This means that if the company's intellectual capital value increases, the company's profitability will also increase.

The results of this study indicate that good Intellectual Capital (IC) management will increase the company's ability to utilize its assets and capital more productively. This is consistent with the view of Resource-Based Theory (RBT) which states that corporate resources, including intellectual capital, are strategic assets capable of creating sustainable competitive advantage.

The Effect of Financial Performance on Firm Value

The results of hypothesis testing on the effect of financial performance on firm value show a negative path coefficient value with an original sample value of -0.111 and an average of -0.132. However, the p-value of 0.401 and greater than 0.05 indicates that this relationship is not statistically significant, meaning that financial performance has no significant effect on firm value.

The results of the study are inconsistent with the results of Habiby and Andraeni's research (2018) which found a positive influence between financial performance and firm value. However, this study is consistent with the results of Tarigan et al (2022) who found that financial performance has a negative effect on firm value.

The difference in results between financial performance and firm value is thought to occur because firm value often reflects market perceptions, future prospects, and external factors that are not fully related to current financial results. To increase firm value, it is important for management to not only focus on financial performance but also on innovation, transparency, and strategic aspects that can strengthen investor confidence and the company's competitiveness in the market.

The Effect of Governance, Risk and Compliance (GRC) on Company Value mediated by Financial Performance

Based on the results of Table 8, the path coefficient value is 0.007 with a p-value of> 0.05. The p-value> 0.05 indicates that the hypothesis is rejected, namely Governance, Risk and Compliance (GRC) mediated by financial performance has no significant effect on firm value. The mediation analysis suggests that financial performance does not act as a significant intermediary for the relationships between Governance, Risk and Compliance (GRC) and firm value. This could indicate that while financial performance plays a critical role in business operations, it does not sufficiently bridge the impact of Governance, Risk and Compliance (GRC) on firm value.

The Effect of Intellectual Capital on Company Value mediated by Financial Performance

Based on the results of Table 8, the path coefficient value is 0.007 with a p-value of> 0.05. The p-value> 0.05 indicates that the hypothesis is rejected, namely Intellectual capital mediated by financial performance has no significant effect on firm value.

The mediation analysis suggests that financial performance does not act as a significant intermediary for the relationships between Intellectual Capital and firm value. This could indicate that while financial performance plays a critical role in business operations, it does not sufficiently bridge the impact of intellectual capital on firm value.

6. CONCLUSION

The results of this study indicate that GRC has no significant effect on financial performance and firm value, This indicates that the implementation of Governance, Risk, and Compliance practices alone may not directly translate into improved financial outcomes for the company. This could suggest that while GRC ensures regulatory adherence and risk mitigation, it may not inherently enhance profitability or efficiency unless coupled with operational improvements or strategic initiatives. the presence of strong GRC practices is not directly perceived by investors or reflected in the market value of the firm. It suggests that investors might prioritize other factors, such as profitability, growth potential, or innovation, over compliance and governance practices when assessing firm value.

Intellectual Capital has a significant and positive effect on financial performance. This finding highlights the critical role of Intellectual Capital in driving operational and financial success. Investments in human capital, innovation, and knowledge management can directly enhance profitability and efficiency, emphasizing the importance of intangible assets in modern business operations.

For future researchers, it is recommended to involve other measurements in evaluating the implementation of Integrated GRC besides GRC Forum Indonesia, such as OCEG and CRMS Indonesia. This approach will provide a broader perspective and enrich the analysis of aspects of Integrated GRC implementation.

7. LIMITATION

The sample period used in the study only covers 3 years, namely 2021-2023. So the implication may have different results if the sample period is extended.This study limited to 2 independent variables, namely Governance Risk Compliance and Intellectual Capital and 1 intervening variable, namely financial performance. So that it has not been able to describe in its entirety what variables can affect firm value. The implementation of integrated Governance, Risk, and Compliance (GRC) is measured using indicators in the form of supporting evidence of integrated GRC from GRC Forum Indonesia and the data obtained is limited to that disclosed by the company in the company's annual report only, without considering the condition of the company that is not reported in the annual report.

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