



## Good Corporate Governance and Intellectual Capital Through Investment Opportunity Set Against Banking Company Value

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### ABSTRACT

Growing the company's profits is strongly tied to growing its worth through outside partners. The corporation can sustain its survival, raise its value, and pay dividends to shareholders with the profits it makes. The purpose of this study is to investigate how the value of banking firms listed on the Indonesia Stock Exchange in 2023 is impacted by intellectual capital and sound corporate governance. A quantitative descriptive methodology is used in the investigation. The study's findings demonstrate the critical role that good corporate governance plays in establishing stakeholder-oriented, accountable, and transparent corporate governance. Good Corporate Governance helps banking companies in Reducing conflicts of interest through effective supervision. Increasing investor confidence through better risk management. Optimizing investment decisions, especially in selecting and utilizing Investment Opportunity Set which is of high value.

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## INTRODUCTION

Investors or the general public's assessment of the company's degree of success is known as its company value. Generally speaking, the stock price reflects the company's worth. The core elements of the business that are directly tied to its financial success are among the numerous elements that influence the company's worth. When making investment decisions, investors need to know financial performance. The effectiveness of the company's management plan is a direct result of its financial performance (Anggraini, 2021).

Boosting the company's earnings is directly tied to boosting its worth through outside partners. Additionally, the company will be able to sustain its survival, raise its value, and pay dividends to shareholders with the profit it makes. Economically speaking, if the knowledge may raise the company's worth, it will be disclosed (Hakim, 2019). The rise in stock prices indicates that the company's worth has increased. The wealth of the shareholder increases with the stock price. The market will have more faith in the firm's performance and future prospects as a result of the rise in corporate value brought about by high stock prices (Anggraini, 2021).

According to data (market.bisnis.com, 2020), the JCI fell from IDR5,678.28 trillion at the previous closure to IDR4,854.05 trillion, a decrease of about 14.5%. The sectoral index showed negative performance across the board, with the banking sector experiencing a decline of -18.58 percent. Bank BRI (BBRI) dropped from IDR4,500/lot to IDR2,810/lot (-37%), Bank BCA (BBCA) shares dropped from IDR34,000/lot to IDR23,675/lot (-30%), and Bank BNI (BBNI) shares dropped from IDR9,000/lot to IDR3,600/lot (60%) (diskominfomc.kalsel prov.go.id, 2020). This drop was brought on by the Corona virus outbreak in China, which is still killing people, including in Indonesia, and endangering the global economy. It has also hurt the global stock market and stifled the potential for riskier assets.

The company's worth may drop as a result of the drop in share prices. The worth of the corporation fluctuates due to fluctuating stock prices and a propensity to fall, according to Darmawan (2022). The worth of the business is used to gauge how well management is doing. The business in its future operational prospects in order to foster trust among its shareholders, as it is undeniable that a high company value is reflected in the fulfilment of the shareholders' welfare (Rosharlianti, 2020). Since stock price changes can be used to gauge investor opinion of the company, a high increase in company value is a long-term objective that the company should accomplish and will be reflected in the stock market price (Fauzi et al., 2016).

According to Rudangga & Sudiarta (2021), the A company's worth may increase if its stock price increases, as evidenced by a high rate of return on investment for shareholders. For the business to function at its best and accomplish its objectives, it must satisfy its financial obligations. When the stock price keeps rising, investors may feel more confident about purchasing their shares, which will raise the company's worth; on the other hand, if the stock price keeps falling, investors may become less confident about their investment in the business (Alkhairani et al., 2020).

One of the primary causes of Indonesia's multifaceted issue is the disregard for the norms of good corporate governance in all facets of state and national life. Ironically, when it comes to putting good corporate governance into practice, Indonesia is ranked as one of the worst performers. The goal of good corporate governance, according to the Indonesian Forum for Corporate Governance, is to generate value for all parties involved (Hakim, 2019).

Low profit quality is the result of agency conflict, which gives rise to opportunistic management. Users like creditors and investors may make poor decisions as a result of bad profit quality, which will diminish the value of the business. In this situation, good corporate governance must be able to give the board of directors and management the proper incentives to meet the goals established from the standpoint of the business and the interests of shareholders. It must also be able to facilitate effective monitoring, which will encourage the company to use its resources efficiently (Marini & Marina, 2017). Sari et al. (2021) claim that the Good Corporate Governance mechanism serves as a check on businesses to ensure they stay within the appropriate bounds. This is made possible by a number of supporting indicators for the Good Corporate Governance process, including an audit committee, managerial ownership, institutional ownership, and an independent board of commissioners.

Investment Opportunity Set (IOS), or a collection of potential future investments that can impact the expansion of corporate assets or projects with a positive net present value, has an impact on company value (Hidayah, 2015). The definition of a firm, as stated in The Story of Sriwahyuni and Wihandaru (2016), is a combination of the company's assets and possible future investment prospects. There are investment possibilities in every business, and seizing the proper ones can accelerate the enterprise's growth. IOS is an investment opportunity that is anticipated to yield a significant return on investment and whose value is contingent upon the future expenditures established by management (Saputri, 2019).

## LITERATURE REVIEW

Implementing accountability is the cornerstone of good corporate governance, which is one of the many expectations of society that must be satisfied (Maryati & Anggraini, 2023). It is the responsibility of state administrators to communicate accountability to the public through performance and financial accountability. According to this pattern of accountability, the government must answer for both the outcomes it has produced and the mandate of the people expressed in financial terms (Suryatni, 2019).

The rights and responsibilities of shareholders, management, creditors, the government, employees, and other internal and external stakeholders are governed by a collection of regulations that make up a good corporate governance framework. Stated differently, the system manages and regulates the company in order to increase added value for all stakeholders. Sulastri (2016).

A company's intangible assets, such as human-owned knowledge, information, and expertise, are referred to as intellectual capital. Employee expertise, organizations, and their capacity to generate value addition and maintain a competitive edge are all considered forms of intellectual capital. According to Amirullah et al. (2021), intellectual capital is a collection of intangible assets that support organizational performance and value generation, including resources, talents, and capabilities.

The Investment Opportunity Set (IOS) is a collection of a company's present assets and potential future investments that have a positive Net Present Value (NPV) and will increase the company's value. IOS is currently an investment choice that the company expects to provide a higher return, even though the amount is defined by the future expenses established by management. Although it mostly depends on the company's present and future spending, IOS typically describes the variety of investment possibilities available to a corporation (Putri & Setiawan, 2019).

Company value is a state that the business has attained as a representation of public trust through a series of actions from the time of its founding to the present. Based on their perceptions and opinions, the public believes that the company is willing to purchase company shares at a specific price. Accordingly, raising the company's worth will likewise improve the owners' well-being (Sugianto & Sjarief, 2018).

Owners of businesses also want their companies to have high values since they indicate that their shareholders are doing well. This demonstrates that raising a company's worth has become a long-term objective for businesses, particularly those that are listed on stock exchanges (Hasanah & Lekok, 2019).

## **METHODOLOGY**

A qualitative descriptive method is used in this investigation. Because the primary focus of the inquiry is the link between variables that are qualitatively descriptively described, this approach was used. Both primary and secondary data from reputable sources were used in this investigation. This kind of study is known as descriptive correlational research. Correlational research is used to examine the relationship between variables, whereas descriptive research seeks to give a comprehensive summary of a phenomenon. Secondary data gathered from the Indonesia Stock Exchange in 2023 was used in this investigation. Documentation studies, which involve seeking, obtaining, and gathering secondary material from pre-selected sources, were used to acquire the data.

## **RESULT AND DISCUSSION**

The term "Good Corporate Governance" describes procedures and guidelines that guarantee an organization is accountable, transparent, and well-managed. An audit committee, an independent board of commissioners, and institutional ownership are a few signs of good corporate governance. The company's expertise, abilities, and inventiveness are examples of intangible assets that are included in intellectual capital. A company's value can rise with effective intellectual capital management. According to studies, a company's

intellectual capital has a positive and significant impact on its value, so managing intellectual capital well can increase a company's worth and performance. According to Siregar & Utama (2008), the adoption of sound corporate governance in Indonesia greatly raises the value of the company and its financial performance.

The company's investment options for future expansion are referred to as the Investment Opportunity Set. Good growth potential is reflected in a high Investment Opportunity Set, which can raise the company's worth. Research shows that Investment Opportunity Set affects the company's financial performance, which in turn has an impact on the company's value. The Last Supper (2020) A study on banking sector companies in Indonesia shows that Good Corporate Governance and Intellectual Capital together increase the company's ability to utilize the Investment Opportunity Set, which has a positive impact on the company's value.

Book Bank I-IV: From Book I Bank (core capital < Rp1 trillion) to Book IV (core capital > Rp30 trillion), the order is based on core capital. Banks that follow sharia law are known as Islamic banks (BTPS-Bank BTPN Syariah, for instance). Local government-owned banks are known as regional banks; examples include BJBR (Bank Jabar Banten) and BJTM (Bank Jatim). Digital banks are those that specialize in digital services (e.g., AGRO-Bank Raya and ARTO-Bank Jago).

Periodically, banks that are listed on the Indonesia Stock Exchange publish financial reports that include important metrics like: Net Profit: Calculates net profit following taxes. The ratio of non-performing loans, or NPLs, is used to track the quality of assets. Capital adequacy is measured by the Capital Adequacy Ratio, or CAR. Return on Equity, or ROE, calculates the return on capital for shareholders. Operational efficiency of banks is measured by OCOI (Operating Costs to Operating Income).

The list of banks that were listed on the Indonesia Stock Exchange in 2023 is as follows. The information contains the stock code, bank name, and associated category;

Table 1. Stock Code, Bank Name, Category

<b>Stock Code</b>	<b>Name of the company</b>	<b>Category</b>
AGRO	PT Bank Central Asia Tbk	Digital Bank
AGRS	PT Bank IBK Indonesia Tbk	General Bank
AMAR	PT Bank Amar Indonesia Tbk	Digital Bank
ARTO	PT Bank Jago Tbk	Digital Bank
CHAPTER	PT Bank MNC International Tbk	General Bank
BBCA	PT Bank Central Asia Tbk	Book Bank IV
BBKP	PT Bank KB Bukopin Tbk	Book III Bank
BNI	PT Bank Negara Indonesia (Persero) Tbk	Book Bank IV
BBRI	PT Bank Rakyat Indonesia (Persero) Tbk	Book IV Bank, UMKM
BBTN	PT Bank Tabungan Negara (Persero) Tbk	Book III Bank, Housing

Stock Code	Name of the company	Category
BCIC	PT Bank JTrust Indonesia Tbk	General Bank
BDMN	PT Bank Danamon Indonesia Tbk	Book III Bank
BACK	PT Banten Regional Development Bank Tbk	Regional Bank
BINA	PT Bank Ina Perdana Tbk	General Bank
BJBR	PT West Java Regional Development Bank Tbk	Regional Bank
BJTM	PT Bank Pembangunan Daerah Jawa Timur Tbk	Regional Bank
BKSW	PT Bank QNB Indonesia Tbk	General Bank
BMAS	PT Bank Maspion Indonesia Tbk	General Bank
BMRI	PT Bank Mandiri (Persero) Tbk	Book Bank IV
BNBA	PT Bank Bumi Arta Tbk	General Bank
BNGA	PT Bank CIMB Niaga Tbk	Book III Bank
BNI	PT Bank Maybank Indonesia Tbk	Book III Bank
BNLI	PT Bank Permata Tbk	Book III Bank
BSIM	PT Bank Sinarmas Tbk	General Bank
BTPN	PT Bank BTPN Tbk	Book III Bank
BTPS	PT Bank BTPN Syariah Tbk	Islamic Bank
BVIC	PT Bank Victoria International Tbk	General Bank
DNAR	PT Bank Oke Indonesia Tbk	General Bank
INPC	PT Bank Artha Graha International Tbk	General Bank
MAYA	PT Bank Mayapada International Tbk	General Bank
MCOR	PT Bank China Construction Bank Indonesia	General Bank
MEGA	PT Bank Mega Tbk	Book III Bank
NISP	PT Bank OCBC NISP Tbk	Book III Bank
NOBU	PT Bank Nationalnobu Tbk	General Bank
PNBN	PT Bank Panin Indonesia Tbk	Book III Bank
SDRA	PT Bank Woori Saudara Indonesia 1906 Tbk	General Bank

In the banking industry as well, good corporate governance and intellectual capital are crucial for raising a company's worth, particularly when combined with the Investment Opportunity Set. A collection of values and procedures known as "good corporate governance" guarantee that businesses are run in a way that is open, accountable, equitable, and responsible to all parties involved. Within the banking industry, the application Increasing investor confidence is one way that good corporate governance can affect the company's value. A corporation with good corporate governance is perceived as having minimal risk, which draws in more investors. Effective risk management notably, banking is a sector that is particularly sensitive to risk, and Good Corporate Governances sure successful risk management. Promoting prudent investment choices, which is the investment opportunities chosen

through Investment Opportunity Set are assessed impartially and on the basis of open risk-benefit analysis thanks to good corporate governance.

Intangible assets like organizational structure, customer relationships, and human resource competencies are referred to as intellectual capital. Because the banking business depends so heavily on trust and expertise, intellectual capital is crucial to the sector. The following are some ways that intellectual capital can affect a company's value: Human capital, namely highly skilled workers, can increase operational effectiveness and boost product innovation, which creates new investment opportunities. Structural capital, which includes supporting technology and organizational infrastructure, can boost efficiency and enable banks to investigate more complicated investment opportunities. Strong connections with clients and other stakeholders generate chances to boost sales and foster enduring loyalty, which is known as relational capital.

Possibility of Investment Set is a group of investment options that a business might use to build wealth in the future. Investment Opportunity Sets in the banking industry could involve financial technology investments, market expansion, or new product development. The function of intellectual capital and good corporate governance in leveraging the investment opportunity set ensuring that strategic analysis, not pressure from management or specific shareholders, is used to choose each investment opportunity. Intellectual capital provides knowledge and relationship-based competitive advantages to support the execution of investment opportunities.

A company's value reflects the market's evaluation of its ability to produce consistent profits. Good corporate governance is linked to the company's value, intellectual capital, and investment opportunity set. Furthermore, management's utilization of the Investment Opportunity Set can be enhanced by intellectual capital. Set well's handling of investment opportunities results in successful endeavours with significant profits. Consistent profitability increases investor confidence, which raises stock values.

## **CONCLUSIONS AND RECOMMENDATIONS**

Transparency, accountability, and stakeholder orientation are all facilitated by good company governance. Effective corporate governance aids financial institutions in minimizing conflicts of interest by means of efficient oversight. Improving risk management to boost investor confidence. optimizing investment choices, particularly when choosing and making use of highly valuable Investment Opportunity Sets. A strategic asset, intellectual capital is made up of relational, structural, and human capital. Human capital makes contributions to the banking industry through labour productivity, innovation, and knowledge. Operational effectiveness and technological change adaption are supported by structural capital. Relational capital builds new business prospects and loyalty by fortifying links with partners and customers. The company's investment options for future wealth creation are reflected in the Investment Opportunity Set. Support is necessary for Management Investment Opportunity Set to be effective. To guarantee the accuracy of the risk and return

assessment, robust intellectual capital and good corporate governance are essential. execution of creative and strategic investment initiatives. The capacity of the business to maintain long-term growth. Accountability and transparency in decision-making are guaranteed by sound corporate governance. The company's capacity to seize investment opportunities is aided by its intellectual capital. By offering a framework for evaluating growth potential, the Investment Opportunity Set raises the market value and competitiveness of the business. While intellectual capital provides the intellectual resources needed to take advantage of such investment possibilities, good corporate governance guarantees that businesses make prudent investment decisions. Through the Investment Opportunity Set, banking organizations can raise their value by increasing their profitability, innovation, and stakeholder trust.

Banking institutions must improve their implementation. Good corporate governance is achieved by effective oversight, open policies, and management training. In the digital age, it is imperative to invest in the growth of intellectual capital, particularly in enhancing the calibre of technology and human resources. Optimization should be the main focus of investment plans. Possibility of Investment considering the demands of the market, careful risk assessment, and ongoing innovation. Therefore, the ability of banking organizations to successfully increase corporate value depends heavily on the cooperation of intellectual asset management, strong governance, and the use of strategic investment possibilities.

#### **FURTHER RESEARCH**

The findings of this study are only valid for the period in which it was conducted; future scholars are anticipated to undertake additional research. For instance, financial performance, determining if the relationship between firm value and sound corporate governance is mediated by financial performance. The shift to digital Determining whether the use of digital transformation increases the impact of intellectual capital Set of Investment Opportunities. Control and Adherence, evaluating how the value of the company is impacted by synergies, good corporate governance, and intellectual capital in relation to the degree of compliance with banking sector laws.

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