

THE PERFORMANCE OF THE FINANCIAL SECTOR DURING THE COVID-19 PANDEMIC

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Abstract. The financial report of a company reveals how successfully it is competing and operating its business. The financial report serves as a guide for management in terms of making decisions that will help the company enhance its performance. The purpose of this study is to examine the effects of intellectual capital and enterprise risk management on the financial performance of businesses, with corporate governance serving as a moderating factor. The annual reports of 91 financial sector companies listed on the Indonesia Stock Exchange were analysed in this study. The data is based on a four-year period, from 2016 to 2020. Panel data regression and moderated regression analysis were used in this study, which was conducted using Eviews statistical software. The findings indicate that intellectual capital has a negative effect on financial performance. Meanwhile, enterprise risk management was found to have no effect on financial performance. In addition, the findings show that corporate governance represented by independent commissioners can moderate the negative effect of intellectual capital on financial performance and institutional ownership has a moderating effect on intellectual capital and enterprise risk management on financial performance. The research indicates that corporations should increase their intellectual capital and risk management disclosure, as well as aiming for great corporate governance.

Keywords: company's financial performance, intellectual capital, enterprise risk management, corporate governance.

JEL Classification: O16, G32, M41.

Introduction

Companies that have good financial performance will attract investors. Good financial performance ensures the survival of a firm and leads to the generation of earnings, demonstrating the organisation's achievement of goals. Thus, financial performance is the practice of comparing a company's financial results over time to those of other companies. Globalisation has changed the management of business strategy. Company performance reflects the achievement of goals. Analysis of financial performance is a way of comparing a company's financial health over time (Bekhet et al., 2020). In addition, financial performance is used to assess a company's financial strength and its potential for short- and long-term growth. Prior financial performance research findings are still inconsistent. Thus, a contingency approach is needed to overcome this inconsistency. Corporate governance is an internal control structure designed to protect corporate assets and

increase shareholder value over time (Savitri, 2018). Saeidi et al. (2021) claim that corporate governance can improve the link between investment and performance. Measurable corporate governance improves a company's performance and goals.

Financial performance is closely related to corporate governance, enterprise risk management and intellectual capital. Corporate governance, enterprise risk management and intellectual capital all impact on financial success. Capital employed, human capital, and capital structure information enable organisations to leverage knowledge and information technology to gain competitive advantages. Companies in knowledge-intensive industries, such as technology and services, require intellectual capital. Companies must also assess and handle all risks. The establishment of ERM is a regulatory act for organisations that must manage all risks and changes generated by globalisation. Everything works if company governance is good. Corporate governance is required to shape a firm's internal control structure

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