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IMPACT OF INTELLECTUAL CAPITAL, PROFITABILITY AND DIVIDEND ON MARKET CAPITALIZATION

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ABSTRACT

The purpose of this study is to obtain empirical evidence on the impact of intellectual capital, profitability, and dividends on market capitalization as the dependent variable. The study employs a quantitative approach, using a sample of 66 observations obtained from 22 companies listed in the IDX80 index on the Indonesia Stock Exchange during the period of 2021–2023. The sample was selected using purposive sampling, which allows for data selection based on specific criteria relevant to the research objectives. The statistical software EViews 13 was used for data processing, enabling in-depth analysis using multiple linear regression. The results show that profitability has a significant positive effect on market capitalization, meaning that companies with higher profitability tend to have higher market capitalization. This reflects the importance of strong financial performance in enhancing a company's value in the market. In contrast, intellectual capital and dividends were found to have no significant effect on market capitalization in this sample. These findings offer valuable insights for managers and investors, emphasizing the importance of focusing on profitability to increase a company's appeal in the capital market. This study also encourages further research into other factors that may influence market capitalization.

Keywords: *Intellectual capital, Profitability, Dividend, Market Capitalization*

1. INTRODUCTION

The increasingly intense business competition in the era of globalization encourages companies to set performance evaluation targets. One of the objectives and targets set each year is to maximize the company's worth as seen by investors. Investors with excess funds in Indonesia have various investment options, one of which is the capital market. Juliati (2015) explains that The capital market is a significant source of funding that influences the economic progress of a country. The growth of the stock market is measured by the total market capitalization.

Market capitalization is the total value of a company's outstanding shares in the market (Taslim & Wijayanto, 2016). Market capitalization has now been universally accepted as one of the indicators in business valuation. In making investment decisions, investors often assess a company based on its market capitalization (Putri, Azwardi, & Sa'adah, 2020). Therefore, the growth of market capitalization is regarded as one of the key indicators in evaluating a company's success or failure. As a result, market capitalization value becomes a key concern for both shareholders and stakeholders.

The Indonesia Stock Exchange (IDX) has recorded significant growth in market capitalization. As of December 28, 2023, the market capitalization grew by 23.82 percent year-to-date, reaching IDR 11,762 trillion. The IDX also recorded that Indonesia's capital market ranked number one in market capitalization in ASEAN in 2023. This significant growth indicates an increasing interest from investors in the Indonesian stock market.

Companies included in the IDX80 index are large-cap companies, making them suitable objects for this research.

The IDX80 index on the Indonesia Stock Exchange (IDX), includes the 80 companies with the largest market capitalization over the previous year, supported by good company fundamentals. This index serves as an important indicator in assessing the economic health and investment potential of the Indonesian stock market.

The purpose of this research is to explore the effect of intellectual capital, profitability, and dividend on market capitalization of companies in the IDX80 index listed on the Indonesia Stock Exchange during the period of 2021-2023.

The stakeholder theory emerged alongside the growing awareness and understanding that companies have stakeholders parties that have an interest in the company. Freeman and McVea (2001) argue that stakeholder theory is a theory that outlines to whom a company should be responsible, namely its stakeholders. Widarjo (2011), in his research, explains that Stakeholder theory claims that all stakeholders are entitled to information regarding company activities that impact them. According to Wicakono and Septiani (2020), companies with larger market capitalization have broader connections to the surrounding community and other stakeholders. Therefore, to meet stakeholder expectations, companies with high growth rates tend to disclose more information and will strive to continuously improve company performance.

The success of a company in utilizing the resources it manages can be seen or predicted through its market capitalization (Yogaa & Muharrami, 2016). According to Deitiana (2015), market capitalization is the overall value of a company, calculated by multiplying the stock price by the total number of shares outstanding. Gadhavi (2018) states that market capitalization is categorized into groups based on size, namely large-cap, mid-cap, and small-cap. In general, companies with high market capitalization stocks are highly favored by investors, as they are considered to have stability in the stock market. The higher the stock price of a company and the larger the turnover of shares circulating in the market, the greater the company’s market capitalization will be.

Intellectual capital is a key factor that can impact market capitalization. Intellectual capital refers to the application of knowledge and information to create value. Pulic (2008) proposed an indirect measurement of intellectual capital by observing the coefficient level, known as the Value Added Intellectual Coefficient (VAIC), which is a tool used to assess how efficiently the value added is generated from a company's intellectual capabilities. VAIC consists of three components: Human Capital Efficiency (HCE), Structural Capital Efficiency (SCE), and Capital Employed Efficiency (CEE). Based on the research by Virgiawan et al. (2018), Intellectual capital positively and significantly impacts market capitalization. However, this contradicts the findings of studies by Putri et al. (2020) and Sitorus, Yahya & Sirojuzilam (2020). When a company is able to effectively implement intellectual capital, it leads to an increase in market capitalization. This aligns with stakeholder theory, as stakeholders are more likely to value a company with exceptional intellectual capital compared to other companies, because exceptional intellectual capital helps the company fulfill the interests of all stakeholders (Novia & Yuskar, 2014). Intellectual capital is acknowledged as a crucial element for business success in today's economy. Therefore, effective management of intellectual capital not only enhances financial performance but also

contributes to an increase in market capitalization. Based on this explanation, The following hypothesis is established:
H1: Intellectual capital has a positive impact on market capitalization.

Profitability is an indicator used to measure a company's performance in generating profits (Wijaya, 2017). Profitability ratios provide useful indicators that can assist users in making decisions and performing managerial tasks. Companies with high profitability levels attract investors to purchase their shares, which impacts the increase in market capitalization. According to the research by Putri et al. (2020), profitability has a significant positive effect on market capitalization. However, this contradicts the findings of Almumani (2018) and Qurashi and Zahoor (2016). High profitability indicates a company's ability to generate significant profits for its shareholders. When a company achieves a high level of profitability, it reflects good performance and efficiency in resource management. This success makes the company more attractive to investors, spurring their interest to invest and inject capital. This increased interest can lead to higher demand for the company's shares, positively affecting its stock price and ultimately increasing its market capitalization. Based on this explanation, The following hypothesis is established:
H2: Profitability has a positive impact on market capitalization.

Dividends are a portion of profits distributed to investors. Dividend per share is a ratio that measures how much dividend is distributed relative to the number of outstanding shares in a given year (Purba, 2016). This ratio reflects the amount of profit shared with shareholders in the form of dividends for each share they hold. This matches the idea of signaling theory, which indicates that investors regard dividends as a sign of good news, indicating that the company is performing well. The larger the dividend paid, the more likely the stock price will increase, thereby raising market capitalization. According to the research by Alawneh (2018), dividends have a significant positive effect on market capitalization. However, this contradicts the findings of the study by Suharti, Aminda, Rinda, Azis, and Endri (2023). Dividends and profits are crucial financial indicators that investors evaluate when deciding to buy or sell a company's stock. Shareholder income is one of the key factors influencing a company's dividend policy. Generally, the higher the profits generated by a company, the greater the likelihood of higher dividends being paid to shareholders. When investors see that a company is offering higher dividends, they are more likely to invest, which leads to a higher demand for the company's shares. The increased demand can result in higher stock prices, which directly affect the company's market capitalization. Based on this explanation, The following hypothesis is established:
H3: Dividend has a positive impact on market capitalization.

2. RESEARCH METHOD

This research uses 80 companies included in the IDX80 Index and listed on the Indonesia Stock Exchange (IDX) during the time period starting from 2021 to 2023. The sample selection was conducted applying a purposive sampling technique while adhering to the following criteria: 1) Companies that were consistently included in the IDX80 index list on the IDX from 2021 to 2023. 2) Companies in the IDX80 index that distributed dividends during the period from 2021 to 2023.

This research adopts a quantitative approach, focusing on the analysis of numerical data. The data used is secondary data obtained from financial reports, sourced from the IDX website and the official websites of the respective companies. The study applies panel data, which

includes multiple observed entities over several periods. The study performs classical assumption tests, including multicollinearity, heteroscedasticity, and normality tests. The collected data is analyzed afterward using multiple linear regression and hypothesis testing, with the aim of generating useful information and drawing relevant conclusions. All data processing in this study is conducted using EViews 13 software.

The measurements used in this study consist of Market Capitalization, the dependent variable, and the independent variables, namely Intellectual Capital, Profitability, and Dividend, as outlined in the following Table 1:

Table 1. Operationalization of Research Variables

Variable	Scale	Proxy
Market Capitalization	Ratio	$MC = \text{Shares Outstanding x Stock Price}$
Intellectual Capital	Ratio	$VAIC = HCE + SCE + CEE$ $\text{Value Added} = \text{Output} - \text{Input}$ $HCE = \frac{\text{Value Added}}{\text{Human Capital}}$ $SCE = \frac{\text{Structural capital}}{\text{Value Added}}$ $CEE = \frac{\text{Value Added}}{\text{Capital Employed}}$
Profitability	Ratio	$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Equity}}$
Dividend	Ratio	$DPS = \frac{\text{Total Dividend Paid}}{\text{Number of Shares}}$

3. RESULTS AND DISCUSSIONS

Descriptive Statistics

Table 2. Descriptive Statistic Result

Variables	Min	Max	Mean	Std. Deviation
IC	3.860820	149.3560	31.91972	27.18420
ROE	0.034166	0.441949	0.151007	0.086063
DIV	0.020000	9175.880	470.8421	1484.476
MC	6252.000	66838.00	33096.47	14930.40

Based on the results from the descriptive statistics table, Intellectual Capital has a minimum value ranging from 3.860820, held by JMSR in 2022, to a maximum value of 149.3560, held by ITMG in 2022. The mean score for the Intellectual Capital variable is 31.91972, indicating that, overall, the companies analyzed have relatively high intellectual capital. The standard deviation of Intellectual Capital is 27.18420, which suggests that the spread of data around the mean is relatively small.

Return on Equity (ROE) has a minimum value ranging from 3.4166%, recorded by JSMR in 2021, to a maximum of 44.1949%, recorded by PTBA in 2022. The mean value of the Return on Equity (ROE) variable is 0.151007. This value indicates that, on average, companies in this sector can convert 15.1007% of total equity into profit. The standard deviation of ROE is 8.6063%, suggesting that the spread of data around the mean is relatively small.

Dividend has a minimum value ranging from Rp 0.02, paid by JSMR in 2021, to a maximum of Rp 9,175.880, paid by ITMG. The mean dividend is Rp 470.8421, meaning that, overall, the companies analyzed distributed an average dividend of approximately Rp 470,842.1 per share. This value may also provide an indication of the stability and financial health of the company, as companies that can pay dividends are typically seen as more stable. The standard deviation of Dividend is Rp 1,484,476, which indicates that the spread of data around the mean is relatively larger.

Market Capitalization has a minimum value ranging from Rp 6,252,000,000,000, held by ERAA in 2022, to a maximum of Rp 66,836,000,000,000, held by TBIG in 2021. The mean market capitalization is Rp 33,096,470,000,000, meaning that the companies analyzed have an average market value of approximately Rp 33.096 trillion. This reflects the size and value of the companies in the stock market. A higher value indicates stability and investor confidence in these companies. The standard deviation of Market Capitalization is Rp 14,930,400,000,000, indicating that the spread of data around the mean is relatively small.

Classical Assumption Tests

The normality test indicates that the data follows a normal distribution after outliers are removed, with a probability of 0.194320.

The values between variables are less than 0.8, indicating that there is no significant correlation between the variables.

The heteroscedasticity test was conducted by observing the probability values. For variable X1, the probability is 0.4461 > 0.05, indicating no heteroscedasticity; for X2, the probability is 0.5808 > 0.05, indicating no heteroscedasticity; and for X3, the probability is 0.5309 > 0.05, indicating no heteroscedasticity.

The autocorrelation test was conducted using the Durbin-Watson test, where the Durbin-Watson statistic value is 1.814162, which lies between -2 and 2, indicating no autocorrelation.

Based on the outcomes of the Chow test, Hausman test, and Lagrange Multiplier test, the most suitable regression model for this study is the Random Effects Model (REM).

Multiple Linear Regression Analysis

Table 3. Regression Test Results
Source: Output of Eviews 13

	Coefficient	***Std. Error***	***t-statistic***	***Prob.***
Constant	22197.99	35.259	4.701273	0.0000
Intellectual Capital	126.5980	782.23	1.466902	0.1475
Profitability	42415.62	3.6589	2.217413	0.0303
Dividend	0.960907	6.254	1.061635	0.2925

Tabel 4. Hypothesis Test Results
Source: Processed by the researcher

	Hypothesis	Prob.	Result
H1	Intellectual capital has a positive impact on market capitalization.	0.1475	Rejected
H2	Profitability has a positive impact on market capitalization	0.0303	Accepted
H3	Dividend has a positive impact on market capitalization	0.2925	Rejected

The multiple linear regression equation can be formulated as follows:

Y = 22197.99 + 126.5980X1 + 42415.62X2 + 0.960907X3
The F-statistic probability value is 0.011020, indicating that each independent variable has a simultaneous impact on market capitalization, which serves as the dependent variable in this study.

The Adjusted R Square (R^2) test is used in this study to determine the ability of the independent variables to explain the dependent variable. The resulting Adjusted R Square value is 0.122722, This shows that the independent variables account for 12.27% of the variation in the dependent variable, with the remaining variability being affected by other factors.

Intellectual Capital affects Market Capitalization
Based on Table 4, the conclusion can be drawn that the Intellectual Capital (X1) variable does not significantly affect market capitalization (Y) because the significance value for Intellectual Capital is 0.1475, which exceeds the level of significance of 0.05 (0.1475 > 0.05). As a result, H1 is rejected in this study because intellectual capital has a minimal impact on market capitalization. This is because intellectual capital is intangible and difficult to measure objectively, so investors tend to focus more on factors that can be directly measured, such as financial performance and physical assets. Furthermore, Investors believe that the management of intellectual capital is not yet efficient enough to produce net profits surpassing the company's operating costs. Therefore, the conclusion can be drawn that intellectual capital does not significantly influence market capitalization. This implies that, in the context of the companies examined, investors do not perceive intellectual capital. Companies may not need to place as much emphasis on intangible assets in their market positioning strategies. Instead, they may focus more on improving operational efficiency, financial performance, and other tangible metrics to attract investors and boost stock prices.

The findings of this study align with the research by Sitorus et al. (2021), which found that intellectual capital does not affect market capitalization. However, the results of this study contradict the research by Virgiawan et al. (2018), which discovered that intellectual capital positively and significantly affects market capitalization.

Profitability affects Market Capitalization
Based on Table 4, the conclusion can be drawn that the profitability (X2) variable significantly influences market capitalization (Y) because the significance value for Return on Equity (ROE) is 0.0303, which is less than the significance level of 0.05 (0.0303 < 0.05). As a result, H2 is accepted in this study as profitability significantly affects market capitalization. Profitability has a significant impact on market capitalization as it reflects the company's capacity to generate profits, thereby attracting investors and boosting demand for its shares. The increased demand for shares drives up the stock price, directly impacting the company's market capitalization. This implies that companies should prioritize productivity enhancements and strategic profit maximization to attract investor interest. Consequently, firms may need to adapt their financial strategies to meet investor expectations and maintain or improve their market position.

The results of this study are consistent with the research by Putri et al. (2020), which revealed that profitability significantly positively impacts market capitalization. However, the results

of this study contradict the research by Darmawan et al. (2017), which showed that profitability does not have a meaningful effect on market capitalization.

Dividend affects Market Capitalization

Based on Table 4, It may be inferred that the dividend (X3) variable has no impact on market capitalization (Y) because the significance value for dividend is 0.2925, higher than the significance level of 0.05 (0.2925 > 0.05). As a result, H3 is rejected in this study because market capitalization is minimally affected by dividend. This suggests that higher dividends do not always indicate higher stock prices for the company. Although dividends are important for helping potential investors make investment decisions, if investors feel that the announced dividend does not meet their expectations, This could result in dividends having no impact on stock prices in the stock exchange, which ultimately impacts the company's market capitalization. This implies that, for the companies studied, investors may not prioritize dividend as a key indicator of a company's market value or financial health. Therefore, companies might consider re-evaluating their dividend policies and look at alternative ways to enhance market value. Investors may be paying more attention to other factors rather than just dividend.

The results of this study align with the research by Suharti et al. (2022), which found that dividends do not have a significant effect on market capitalization. However, the results of this study contradict the research by Alawneh (2018), which discovered that dividends have a notable and positive impact on market capitalization.

4. CONCLUSIONS AND SUGGESTIONS

Based on the results of the hypothesis testing that have been generated, this study it can be observed as follows: 1) There is no significant influence of intellectual capital on market capitalization. 2) Profitability has a significant positive influence on market capitalization. 3) Dividend has no significant effect market capitalization.

This research has several limitations, namely it only measures a few independent variables, such as intellectual capital, profitability, and dividend. Additionally, the sample subjects in this study are restricted to companies listed on the IDX80 index, which makes the results of this study less comprehensive. The data used also covers a short period, namely only three years from 2021 to 2023. Due to these limitations, several suggestions for future research include adding other independent variables that may affect market capitalization, extending the research period, and expanding the scope of research subjects.

Suggestions for companies in the IDX80 index include maintaining good financial performance in the face of modernization and industry competition so that market capitalization can continue to increase. This is because these companies play a very important role in meeting basic needs in Indonesia and are one of the main pillars in improving the country's economic conditions. This research is expected to provide knowledge to economic actors and the public regarding the factors that can affect a company's market capitalization. Therefore, companies are encouraged to consider future strategies to optimize these factors.

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