The Role of Intellectual Capital in Mediating the Relationship Between Financial Structure and Director Diversity on Financial Performance

ABSTRACT

Aims: Corporate performance management is very important in supporting the achievement of organizational goals. This research investigates how financial structure and board diversity influence financial performance, with intellectual capital serving as a mediating factor.
Study Design: This study is a quantitative analysis that employs a purposive sampling approach to investigate companies in the financial services sector listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023.
Methodology: This study used 104 companies as the population, and 30 companies with 82 data were used as the sample. The analysis technique used was the classic assumption test, regression analysis, and SobelSobel test on SPSS 26.
Results: The study revealed that financial structure positively influences intellectual capital, whereas gender diversity has no effect, and national diversity negatively impacts intellectual capital. Additionally, intellectual capital positively affects financial performance and serves as a mediator between financial structure and financial performance; however, it does not mediate the relationship with gender diversity and negatively mediates the relationship with national diversity. These results align with agency theory and the resource-based view, highlighting the significance of effectively managing intellectual capital to enhance financial performance. In conclusion, companies should focus on managing diversity and resources to attain a competitive advantage.

Keywords:Financial structure; gender diversity; nationality diversity; intellectual capital; financial performance.

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1. INTRODUCTION

Indonesia’s economic growth ranks 40th in the world. The International Monetary Fund (IMF) forecasts in its report that Indonesia's economic growth will continue to be robust, with expected rates of 5.0% in 2024 and 5.1% in 2025.Across countries, a sound financial system is essential for economies to operate and thrive. The IMF provides recommendations to protect the resilience of the financial sector. Profit-oriented companies will seek to maximize their economic performance. ROA (Return on Assets) is a financial metric that assesses how effectively management is using the company's assets to generate profits. Given that in early 2020, COVID-19 in Indonesia triggered a major economic collapse. The ROA value during 2020 was negative in almost all sectors, including the financial industry, which was -0.154%. The decline in ROA value to a negative value indicates the sector’s inability to control assets for production and generate added value [1].Until 2022, the IMF considers Indonesia to have shown a good economic recovery after the pandemic, with healthy growth and a stable financial system [2]. This needs to be maintained and even increased. Observing the various challenges and opportunities faced, as well as the policies that will be taken. The Financial Services Authority (OJK) is confident that the favorable trend in the performance of the financial sector will persist [3].

Financial performance in the company shows the results and achievements of management as a function of effective asset management over a certain period, which shows the financial and operational conditions of the company [4]. The financial structure ~~In~~ in this study, the Debt-to-Equity Ratio (DER) serves as a proxy, representing the relationship between a company's debt and its equity. A greater reliance on corporate debt leads to more stringent oversight by creditors to ensure the company can meet its debt obligations. This supervision encourages management to allocate utilize resources more effectively to achieve optimal financial performance for the company [5]. DER has positive implications for ROA in research conducted by [6], [7],and [8]. However, research [5]and [9] rejected the results.

Financial performance can improve with an increase in efficiency in the company. Board diversity is one strategic step to improving this efficiency. This is because board diversity brings various perspectives, knowledge, and experience that enrich decision-making. This diversity also increases the independence of the board, as members with different backgrounds tend to provide new perspectives that do not arise from members with similar backgrounds, thus improving the quality of supervision [10]. A significant portion of the literature on strategic management and corporate governance examines how board demographics impact firm performance [11]. One important aspect of board diversity is gender and nationality diversity [12]. Some countries, such as Spain, France, Italy and Norway, mandate that at least 40% of the board of directors be composed of women to achieve gender balance [13]. In addition, companies in ASEAN with female boards above 30% reported an average return on assets (ROA) of 3.8% [14]. This value is greater than that of companies that lack female representation on their board of directors. Therefore, having women on a company's board is viewed as a crucial factor in the organization's success. In line with the research [13], [15], and [16] which concluded that gender diversity positively influences financial performance. This inconsistency is revealed in research [17], [18], and [19] if the gender diversity among directors has no impact on financial performance.

Another important aspect is the diversity of nationality of the board. There is an external workforce that dominates the workforce in Indonesia [20]. This leads to a diversity of nationalities within a company. Companies with foreign boards of directors are able to offer ideas, knowledge and expertise from their home countries that can improve financial performance. The variety of nationalities represented on the board of directors indicates independence and accountability in decision-making. Making sound decisions will help in attaining substantial profits. In line with the research [20] and [21] which explains if the national diversity of directors is positively correlated with financial performance. However, [22], [23], and [24]has different research results from this study.

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High profits can also be achieved through the presence of human resources, which is a vital component of the company's intangible assets, referred to as intellectual capital [25]. Information about intellectual capital is a crucial component elements needed by investors. Companies that adopt knowledge-based businesses tend to be able to create significant added value. A company's value is indicated by the price that investors are prepared to pay because information related to intellectual capital provides deeper insight into the company's potential. This information helps investors predict the company's future financial performance more precisely, thereby offering a foundation for making strategic investment choices [26]. In line with research [27], [28], and [29]which states that that intellectual capital positively influences financial performance. This discrepancy is highlighted in the research of Intellectual capital has a positive effect on financial performance. This inconsistency is noted in the research of [30] Suppose intellectual capital has a negative effect on financial performance. Research shows that intellectual capital has a negative impact on financial performance [25]intellectual capital does not affect financial performance.

The financial structure proxied by the ~~Equity Ratio(DER)~~DER is the proportion of total debt to equity, which measures the level of company dependence on borrowing funds from creditors [31]. Transparency in sharing information about intellectual capital can serve as a value generator, as can the disclosure of the level of debt utilization by the company [32]. Intellectual capital can inhibit debt, due to its higher risk, it yields greater returns, thereby enhancing the capacity to service debt. This suggests a negative relationship between financial structure and intellectual capital, in line with the following [33] and [34]. However, in contrast to [31] and [35] which states that financial structure does not affect intellectual capital.

Intellectual capital can also be influenced by the gender diversity of the board of directors, which refers to the presence of women on the board. Women's participation can enhance intellectual capital by contributing to better decision-making, providing different experiences and perspectives, and increasing company monitoring [13]. . In line with research[35],[36],and[37] which states a beneficial connection between the gender diversity of directors and intellectual capital. However, in contrast to the research [38] which states a negative the connection between the gender diversity of directors and intellectual capital.

Furthermore, diversity in nationality among the board of directors can also influence intellectual capital. This diversity refers to the representation of individuals from different national backgrounds. This diversity introduces a range of perspectives, experiences, and solutions that can enhance the decision-making process. By having a wider viewpoint, the board of directors can increase efficiency and effectiveness in formulating company strategies and policies. This has a direct impact on strengthening intellectual capital. In line with the research [39]which demonstrates a positive relationship between the national diversity of the board of directors and intellectual capital. However, in the research [40] and[41] indicated that there is no significant impact of the board of directors' nationality diversity on intellectual capital.

Shifting the focus of companies from tangible assets to intangible assets, such as intellectual capital, is a strategic step to improve financial performance [42]. Intellectual capital, which includes knowledge and innovation, not only provides long-term added value but is also an indicator of the quality of intangible resources owned by the company [43]. Companies that disclose intellectual capital demonstrate transparency to investors and stakeholders while signalling that external funds are being used to support long-term investments. This not only boosts investor confidence but also enhances the company's competitiveness in the market. With a sound financial structure and optimal utilization of intellectual capital, companies can create greater value and improve future profit prospects [44]. Intellectual capital can mediate financial structure on financial performance in accordance with research [42]. However, in the research [31]and [35] stated that there is no significant influence between financial structure and intellectual capital, [5]and [9]there is no effect of financial structure on

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financial performance,and[25] Intellectual capital has no effect on financial performance, which means that it does not significantly contribute to the company's profitability or overall financial success cannot mediate financial structure with financial performance.

In addition, gender diversity on boards can capture a wide range of skills and competencies, contributing to exemplary and innovative performance within the organization innovative decision-making. This can improve intellectual capital efficiency and create a dynamic and creative environment, essential for developing corporate strategy. Better intellectual capital can contribute to better financial performance. In line with [3 6] dan[4 5] which states that intellectual capital can mediate the relationship between the gender diversity of directors and financial performance. However, contrary to research that suggests a negative relationship between the gender diversity of directors and intellectual capital, this study also identified a negative relationship between the gender diversity of directors and intellectual capital [17], [18], ~~dan~~ and[19]. There is no impact of gender diversity among directors on financial performance, indicating that enhancing gender diversity may not lead to better financial results for the company [25]there is no influence of intellectual capital on financial performance. Therefore, intellectual capital cannot mediate the relationship between gender diversity and economic performance.

Alongside gender diversity, nationality diversity on the board of directors contributes to a range of perspectives in decision-making, fosters innovation, and enhances the company's adaptability to changing market conditions, which can increase intellectual capital. It can improve operational efficiency, product innovation, and competitiveness with optimal intellectual capital, thus contributing to better financial performance. ~~in~~ Inline with the research [46] intellectual capital can mediate the relationship between board diversity and financial performance. However, numerous studies have yielded mixed results, suggesting that the effect of board diversity on financial performance may differ based on factors such as industry, company size, and market conditions ~~conditions~~ in contrast to the research [40] and [41] which states that there is no effect of national diversity of directors with intellectual capital, [22], [23], and [24] there is no effect of the diversity of the nationality of directors on financial performance, and this suggests that having a diverse national background among directors may not directly influence the company's financial outcomes [25]. So, intellectual capital cannot mediate the relationship between the diversity of the board of directors' nationality and economic performance. This indicates that the presence of diverse nationalities on the board does not translate into improved economic performance through the channel of intellectual capital.

Based on the different findings and phenomena described~~,~~ . This study aims to identify the effect of financial structure and director diversity on financial performance, exploring how these factors influence a company's profitability and overall success in the market mediated by intellectual capital. This difference from previous research lies in the focus of the research and the year in which the study was conducted.

2. MATERIALS AND METHODS

2.1 Literature Review

Jensen& Meckling (1976) revealed that companies with a high level of debt will face greater financial risk present more detailed information to creditors and shareholders, including financial and non-financial information and data related to intellectual capital [47]. Agency theory is used in this study because Intellectual capital, an intangible asset, is vital for boosting a company's competitive edge and overall value has characteristics that are difficult for external parties to monitor and assess [32]. This difficulty can increase the risk of agency conflict between managers as managers and lenders as external stakeholders. To reduce these potential conflicts, companies can exercise higher transparency to maintain stability and trust [48]. The findings support this [33] and [34]which states that using high debt in the financial structure will increase intellectual capital. Therefore, The following hypothesis has been formulated:

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H1:The financial structure positively influences intellectual capital

Barney's (1991) resource-based view explains how a company's resources can be utilized to develop a competitive advantage. [49]. The underlying assumption is that there is a diversity of corporate resources, and some are difficult to replicate. Gender representation on the board of directors is a variety of resources with the involvement of women in the board of directors. Gender diversity enhances solving complex problems, maintaining continuous communication with both internal and external stakeholders parties, and enriching human capital through strategic insights and favorable feedback to clients and business associates [50]. The findings support this [35], [36], and [37] which explains that if the gender on the board of directors is more diverse, it will increase intellectual capital. Therefore, the following hypothesis is developed:

H2: Gender diversity among directors positively impacts intellectual capital

Diversity of nationality is a characteristic of the board of directors, as seen from nationality other than the country where the company is located [38].This diversity is a unique and strategically valuable internal resource based on ~~The~~ the resource-based view emphasizes that a company's competitive advantage arises from internal resources that are rare and valuable difficult to replicate to find, and of strategic value. This can create a variety of viewpoints and solutions that directly improve the efficiency and effectiveness of board decision-making, which will help build the quality of actions taken by the company [51]. ~~research~~ Research results [39] also confirmed ~~That~~ that gender diversity positively influences intellectual capital. Hence, the following hypothesis is proposed:

H3: National diversity has a positive effect on intellectual capital

Agency theory supports the influence of financial structure, represented by ~~the Debt to Equity Ratio (DER)~~DER, as using debt can align the interests of shareholders and management source of funding with fixed costs, such as interest, allows the company to optimally utilize its assets to increase profits for capital owners (principals) [52]. By utilizing loans, companies can finance their operations and have more funds to drive sales growth, potentially increasing overall company profits [53]. The statement of the positive contribution of financial structure to financial performance is also emphasized in a study conducted by [6], [7], and [8]. Therefore, The following hypothesis is proposed:

H4:Financial structure positively affects economic performance

Gender diversity of the board of directors refers to the representation of men and women in board member positions [27]. This diversity can be a unique and valuable strategic resource. According to the resource-based view (RBV), a firm's competitive advantage derives from its unique and valuable resources and capabilities that are difficult for competitors to imitate internal resources and superior performance come from rare, ~~rare,~~ difficult to imitate, and irreplaceable internal resources [22]. Gender diversity on the board of directors can bring varied perspectives, experiences, and ideas to the decision-making process. This enables the company to respond more effectively to market dynamics and customer needs, creating strategic value that enhances financial performance [54]. These findings were validated by [13] which states that the more the composition of female board members, the more it can stimulate an increase in the company's financial performance. Another study found that gender diversity among directors positively impacts financial outcomes and economic performance were also revealed [15] and [16]. Therefore, the following hypothesis is developed:

H5: Gender diversity among directors positively affects financial performance

The resource-based view (RBV) explains how companies can achieve a competitive advantage by effectively managing their unique resources [22]. The national diversity of the board of directors brings up resources with different backgrounds that contribute valuable and diverse experiences to the board of directors [22]. A foreign board of directors can offer ideas, knowledge, and expertise from the

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home country that are invaluable to improving the company's financial performance [55]. Companies that can utilize their resources well will create something that is an advantage of the company compared to other companies. This research aligns with the findings that [20] and [21] which explains that the more diverse the nationality ~~of The~~the greater the ~~gender~~ nationalitydiversity on the board of directors, the more it will enhance the company's financial performance. Therefore, the following hypothesis is proposed:

H6: Nationality diversity has a positive effect on financial performance

Intellectual capital is a strategic resource for creating wealth [56]. The resource-based viewinitiated by Wernerfelt (1984) explains how the company's resources can lead to a competitive advantage. A company with superior intellectual capital has resources that competitors do not easily find. This allows the company to appear more competitive and achieve better financial results. Other research results by [27], [28] and [29] justifies if Intellectual capital positively impacts financial performance. Therefore, the following hypothesis is proposed:

H7:Intellectual capital positively influences financial performance

Financial structure, indicated by ~~the Equity Ratio (DER)~~DER, can affect the level of supervision of management [57]. Increased debt creates an obligation to pay interest periodically, encouraging management to utilize intellectual capital more effectively to increase productivity, innovation, and competitiveness. In this context, debt is a disciplinary mechanism that can reduce agency conflicts. This suggests that even though companies use debt if managed productively and supported by quality intellectual capital, the debt can contribute to increased future profits [7].This research is in line with the findings [42]which explains if intellectual capital can mediate the relationship between financial structure and financial performance. Therefore, the following hypothesis is proposed:

H8:Financial structure positively affects financial performance when mediated by intellectual capital

The resource-based view (RBV) suggests that to achieve competitive advantage, organizations must utilize their unique resources a company's board of directors must be able to acquire valuable resources [38]. Women are important in managing businesses, creating a better working environment enhances employee productivity and improving corporate performance through good governance. Gender diversity on the board enhances decision-making allows companies to utilize various skills and competencies and generate new ideas. This increased intelligence becomes a resource that can improve organizational performance. This research is in line with the findings of [38] and [45]which explains that intellectual capital can mediate the relationship between director gender diversity and financial performance. Therefore, the following hypothesis is proposed:

H9: Gender diversity of directors positively affects financial performance when mediated by intellectual capital

The resource-based view (RBV) emphasizes that valuable, rare, inimitable, and non-substitutable resources are essential for a company's competitive advantage [45]. The diverse nationalities of directors bring unique perspectives that enrich the company's intellectual capital and positively impact financial performance. Directors with diverse backgrounds provide insight into global cultures, international markets, and business strategies, enhancing the company's adaptation, innovation, and expansion of its global network. This perspective is a strategic resource that is difficult to replicate, supporting operational efficiency, product innovation, and better decision-making, increasing revenues, lowering costs, and improving firm profitability. This research aligns with the findings of [46] intellectual capital can mediate the relationship between board diversity and financial performance. Thus, the following hypothesis is formulated:

H10:National diversity of directors has a positive effect after being mediated by

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intellectual capital

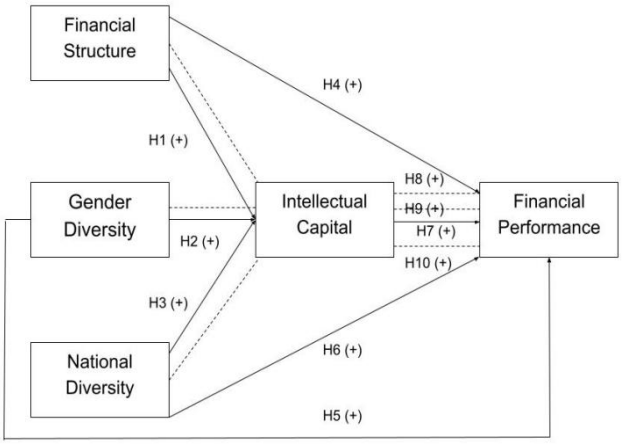

Fig 1. Research Framework

2.2. Methodology

This research employs a quantitative approach, utilizing secondary data sourced from the official website of the Indonesia Stock Exchange (IDX) and the official websites of the respective companies under study, using a purposive sampling technique, focusing on companies in the financial services sector listed on the IDX 2020-2023, presenting financial statements and annual reports for data collection and analysis using rupiah during the study period, not experiencing losses during the observation period, having female directors and foreign nationals. From the purposive sampling technique, 82 data from 30 companies were obtained. The data analysis techniques employed include classical assumption tests, regression analysis, and Sobel tests. The study comprises three independent variables, one mediating variable, and one dependent variable, with financial performance measured by return on assets (ROA). The independent variables consist of economic structure, gender diversity of directors, and national diversity of directors. The mediating variable in this study is intellectual capital.

Financial performance is a measure of a company's profitability and operational efficiency success of a company and its resource management [58]. As per the research [59]Financial Performance is represented by Return on Assets (ROA), calculated using the formula:

$$\text{ROA} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

Intellectual capital is a knowledge-based intangible asset that can function as a source of competitive advantage [30]. As per the research [60]. The measurement of intellectual capital can be assessed through:

Intellectual Capital=Number of employees with a bachelor's degree

Financial structure represents the leverageratio, which describes the degree to which the company relies on debt financing. The composition of the comparison between sources of funds, both debt and equity, is used to finance the company's operations and is designed in the form of a financial structure. This structure includes all liabilities, including short-term debt, long-term debt, and equity [61]. As per the research [33]Financial structure measurement is projected with:

$$\text{DER} = \frac{\text{TotalDebt}}{\text{Equity}}$$

The board of directors is a crucial component of effective corporate governance, playing a strategic role in

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ensuring the sustainability and long-term orientation of the company. Gender includes a proportion of women, is key to meeting diverse needs and interests [20]As per the research [62] The measurement of gender diversity of directors is measured by the percentage of female board members using dummy variables with the following categories:

Nilai 0 = Companies That Don't Have Female Directors
Nilai1=Companies with Female Directors

Diversity of foreign nationality of directors is a characteristic of the board of directors seen from a nationality other than the nation in which the company is located [20]. As per the research [20] Also, the diversity in the board structure, which measurement of national diversity by formula:

$$\text{Foreign} = \frac{\text{Number of Foreign Board of Directors}}{\text{Total Board of Directors}}$$

3. RESULT AND DISCUSSION

3.1 Results

Based on research on 104 financial services sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020-2023 observation period, which meet the specified criteria are described in the following table:

Tablel1.
Sample Criteria

No	Criteria	Summary
1	Financial sector firms listed on the Indonesia Stock Exchange from 2020 to 2023	104
2	Sample data that can used for the period 2020-2023 (104x4)	416
3	Companies that do not release annual reports	(10)
4	Companies that do not have directors of foreign nationality	(214)
5	Companies that experience losses	(106)
6	Companis with financial statements not using the Indonesian rupiah	(4)
7	Total sample research data	82
8	Outlier data equation 1 Outlier data equation 2	(8) (25)
9	Number of observations of the final data of equation 1 Number of observations of the final data of equation 2	76 57

3.1.1 Analysis Descriptive

Table 2.
Descriptive Analysis Result

Variable	N	Minimum	Maximum	Mean	Std.Deviation
DER	82	0.32892	9.43540	2.6983385	1.87961410
GENDER	82	0.00000	1.00000	0.6219512	0.48788391
ASING	82	0.10000	0.50000	0.3091367	0.12766777
IC	82	19.00000	19447.00000	3290.1341463	4928.56005757
ROA	82	0.00014	0.19219	0.0196862	0.02537975
ValidN(listwise)	82				

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Descriptive statistics aim to give a summary of the distribution and characteristics of the sample data [63]. Descriptive statistical analysis in Table 2 indicates that the Debt-to-Equity Ratio (DER) has an average value of 2.69, the average gender value is 0.62; the average foreign value is 0.3; the average intellectual capital value is 3290.134; and ROA has an average value of 0.01.

3.1.2 Normality Test

The normality test aims to assess whether the dependent and independent variables in both regression models follow a normal distribution. Data is considered normally distributed if the significance value is greater than 0.05; conversely, if the significance value is less than 0.05, the data is deemed not to follow a normal distribution, indicating that it is abnormal[64]. Using the Kolmogorov-Smirnov normality test, which shows in equation 1, the data is normally distributed (Asymp. Sig. 0.099 > 0.05) and in equation 2, is also normally distributed (Asymp. Sig. 0.189 > 0.05), fulfilling one of the critical assumptions required for regression analysis

3.1.3 Multicollinearity Test

Table3.
Multicollinearity Test

Models	Variable	Collinearity Statistics	
		Tolerance	VIF
1	DER	0.786	1.272
	Gender	0.961	1.040
	Asing	0.765	1.307
2	DER	0.809	1.237
	Gender	0.880	1.136
	Asing	0.684	1.463
	IC	0.679	1.473

Source:dataprocessed,2024

This test aims to assess whether a regression model's assumptions are met independent variables are comparable or correlated. The criteria for considering The multicollinearity test indicates that if the tolerance score is greater than 0.10 and the Variance Inflation Factor (VIF) score is below 10, then multicollinearity is not present, If the tolerance score is less than 0.10 and the VIF score is greater than 10, this indicates the presence of multicollinearity [65]. In the multicollinearity test above, the TOL and VIF values of each variable in the two-equation models are above 0.1 and below 10. So, the two-equation models do not experience multicollinearity

3.1.4 Heteroscedasticity Test

Table4.
Heteroscedasticity Test

Models	Variable	Sig.
1	DER	0.199
	Gender	0.603
	Asing	0.138
2	DER	0.193
	Gender	0.353
	Asing	0.059
	IC	0.576

Source: data processed, 2024

The heteroscedasticity test criteria are if the The significance coefficient, or sig (2-tailed), is greater than 0.05, leading to the conclusion that heteroscedasticity is not present. Conversely, if the significance coefficient or sig (2-tailed) is less than 0.05, it indicates the presence of heteroscedasticity [66]. The heteroscedasticity test using the Glejser test did not show any evidence of heteroscedasticity in the data, as the significance values for all variables in both equation models were greater than 0.05

3.1.5Autocorrelation Test

In equation 1, the Durbin-Watson (DW) test statistic is 0.721, and in equation 2, it is 0.972. According to the Durbin-Watson test criteria, a value between -2 and +2 suggests that there is no autocorrelation problem. However, both values are below the acceptable range, indicating potential concerns regarding autocorrelation in the models [67].

3.1.6 R Square Test Result

Table5.
R Square Test Result

Models	RSquare	AdjustedR quare
1	0.581	0.563
2	0.174	0.111

Source:dataprocessed,2024

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The coefficient of determination is a metric used to assess the degree of fit or accuracy of the relationship between the independent variables and the dependent variable. It indicates the proportion of variance in the dependent variable that can be explained by the independent variables in the model. A value approaching 1 indicates that the independent variables explain almost all the variability in the dependent variable, reflecting a strong explanatory capability of the model [68]. The use of intellectual capital in equation 1 can be explained by financial structure, gender diversity of directors, and nationality diversity of directors with R Square = 0.581, which means 58.1% is influenced by these variables and 41.9% is influenced by other variables. In equation 2, fluctuations in financial performance are influenced by various factors can be explained by financial structure, gender diversity of directors, diversity of foreign nationalities, and intellectual capital with R Square = 0.174, which means these variables influence 17.4% and other variables influence 82.6%.

3.1.7 F-Test

Table6.
Model Fit Test

Models	F	Sig.
1	32.347	0.000
2	2.741	0.038

Source:dataprocessed,2024

The results of the F test are utilized to assess whether the independent variables significantly influence the dependent variable. The criteria for the F test are that if F-count is greater than the critical F-value (F-table), then the independent variables collectively have a significant effect on the dependent variable F-table or profitability value <0.05; it means that the independent variables collectively affect the dependent variable [68]. The regression model of equation 1 yieldsF-test value of 32.347 and a significance level of 0.000. The p-values were lower than 0.05 for financial structure and foreign nationality diversity, while the p-values were greater than 0.05 for other variables on the gender diversity of directors. This shows that only financial structure and foreign nationality diversity affect intellectual capital, while gender diversity of directors does not.

Meanwhile, equation 2 produces an F-test value of 32.347 and a significance level of 0.000. The p-values were lower than 0.05 for financial structure and foreign nationality diversity, while the p-values were greater than 0.05 for other variables only on intellectual capital. So, financial performance is only influenced by intellectual capital, not by financial structure, gender diversity among directors and the diversity of foreign nationalities among directors.

3.1.8 Hypothesis Testing Results

Table7.
Model 1 t-Test

Variables	t	Sig.	Conclusion
DER	4.476	0.000	H1support
Gender	1.390	0.169	H2not support
Asing	-5.282	0.000	H3not support

Dependent Variable:IC

Table 8.
Model 2 t-Test

Variables	t	Sig.	Conclusion
DER	-0.327	0.745	H4 not support
Gender	-0.070	0.944	H5 not support
Asing	0.213	0.832	H6not support
IC	2.925	0.005	H7 support

Dependent Variable: ROA

The t-test is employed in research to evaluate the impact of each independent variable on the dependent variable. The criteria for this t-test involve comparison; if the significance level of the t-test is less than 0.05, it suggests that there is a relationship between the independent and dependent variables**.** Whereas if the importance of the t-test is more significant than 0.05, then there is no influence between the dependent variable [69]. Based on Table 7, the Sig value for the DER variable is 0.000, which is less than 0.05, indicating a positive relationship with intellectual capital. The gender variable has a Sig value of 0.169, which is greater than 0.05, suggesting no relationship with intellectual capital. The IC variable has a Sig value of 0.000, which is also below 0.05, signifying a significant a relationship with intellectual capital, but in a negative direction.

Based on Table 8, the Sig Value for the IC

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variable is 0.005, which is below 0.05, suggesting a significant relationship with intellectual capital a positive relationship with ROA. Meanwhile, the DER, Gender, and Foreign variables with Sig. Values of 0.0745, 0.944, and 0.832, respectively, which exceed 0.05, explain that these variables do not affect financial performance.

3.1.9 Sobel Test

Table9.
Sobel Test Result

	Sobel Test Statistic	Z Tabel	Conclusion
DER-IC-ROA	2.142	1,96	H8 support
GENDER-IC-ROA	1.147	1.96	H9 not support
ASING-IC-ROA	-2.228	1.96	H9 Not support

Source:dataprocessed,2024

The variable can mediate if the Sobel test statistic exceeds the z-table value [70]. So, it is found that financial structure on financial performance can be mediated by intellectual capital and the diversity of directors the nationality of directors on financial performance may be influenced by intellectual capital, but in a negative direction. Meanwhile, the gender diversity of directors in terms of economic performance cannot be mediated by intellectual capital.

3.2 Discussion

3.2.1 Effect of Financial Structure on Intellectual Capital

Based on Table 7, the findings suggest that financial structure positively affects intellectual capital so that this study can provide evidence for the first hypothesis. Thus, the higher the use of debt, the greater the impact on performance, particularly with extensive disclosure of intellectual capital by management. This happens because the high percentage of debt utilization can raise investor concerns. Management needs to convey more detailed and transparent information to maintain investor confidence. So, this finding aligns with agency theory and is supported by the study results [33] and [34].

3.2.2 The Effect of Gender Diversity on Intellectual Capital

Based on Table 7, it can be concluded that there is no effect of the relationship between gender diversity and intellectual capital, thus this study cannot provide evidence for the second hypothesis. This suggests that while gender diversity is assumed to improve team dynamics, it may not necessarily enhance intellectual capital in this context communication, and strategic decision-making, it can also pose challenges in coordination and alignment of vision, especially if there are significant differences in views, work styles, or priorities among board members. In addition, if gender diversity on the board of directors is not accompanied by a strengthening of the necessary support systems, it may not enhance intellectual capital competence and integration of the expertise of the board members, its contribution to intellectual capital becomes less than optimal. This is consistent with the research findings [38].

3.2.3 The Effect of National Diversity on Intellectual Capital

Table 7 shows that the national diversity of directors hurts intellectual capital; therefore, the third hypothesis is not supported. The results obtained contradict the direction of the hypothesis. This suggests that although national diversity has the potential to bring broader perspectives, innovation, and a deep understanding of the global market is essential for strategic decision-making, differences in culture, values, language, and working styles among board members can complicate coordination, lengthen the decision-making process, and trigger unproductive conflicts. This result is inconsistent with what the research found [39].

3.2.4 The Effect of Financial Structure on Financial Performance

Based on Table 8, it can be concluded that there is no influence of the relationship between financial structure and financial performance, suggesting no significant impact so the fourth hypothesis is rejected. This shows that high debt usage can make the company more dependent on the debt, leading to additional risks, such as high-interest expense and liquidity pressure. This situation may potentially diminish the company's flexibility in dealing with dynamic changes in

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market conditions. In addition, the high use of debt is often not balanced with an adequate fund management strategy, so the potential benefits of leverage cannot be maximized. They will risk harming the company's financial performance. Consistent with the findings [5] and [9].

3.2.5 The Effect of Gender Diversity on Financial Performance

Table 8 demonstrates that gender diversity does not impact financial performance, leading to the rejection of the fifth hypothesis. This suggests that gender diversity that is not supported by company policy or organizational culture can hinder the effective integration of diversity. When board members' perspectives are not fully utilized, their contribution to strategic decisions that directly impact financial performance is limited. Without adequate support from corporate policies and an inclusive culture, gender diversity cannot provide optimal benefits. This is in line with the findings of [17], [18], and [19].

3.2.6 The Effect of National Diversity on Financial Performance

Table 8 indicates that there is no effect of the relationship between the nationality diversity of directors and financial performance significant, so the sixth hypothesis is rejected. This suggests that while a board of directors with diverse nationalities may bring different perspectives and experiences, this impact may not be directly realized in financial performance metrics. In addition, nationality diversity on boards can face challenges if it is not well managed or effectively integrated into corporate strategies and decisions. If insufficient support or appropriate mechanisms to utilize such differences optimally, then the benefits of nationality diversity will not be reflected in improved corporate financial performance. In line with the findings [24].

3.2.7 The Effect of Intellectual Capital on Financial Performance

Table 8 shows that intellectual capital positively affects financial performance, so the seventh hypothesis is accepted. This indicates that companies with superior intellectual capital can more efficiently utilize market opportunities, accelerate innovation, and increase competitiveness. This allows the company to achieve better financial results through increased sales, operational efficiency, and the ability to recognize better and meet consumer needs. This aligns with the resource-based view (RBV) theory and the findings of this study [27], [28], and [29].

3.2.8 The Effect of Financial Structure on Financial Performance Mediated by Intellectual Capital

Based on table 9 shows that the financial structure and financial performance may be influenced by intellectual capital as a mediator so the eighth hypothesis is accepted. This indicates that a healthy economic structure allows the company to utilize its intangible assets or intellectual capital more optimally, which can improve its financial performance. In addition, intellectual capital plays an essential role in overseeing debt productively, as it allows management to utilize knowledge, innovation, and expertise in the face of financial pressures caused by debt. In line with agency theory and findings [42].

3.2.9 The Effect of Gender Diversity on Intellectual Capital Mediated Financial Performance

Table 9 shows that intellectual capital cannot mediate the link between gender diversity and financial performance, leading to the rejection of the ninth hypothesis. Gender diversity does not appear to enhance financial outcomes in the board of directors can bring various new skills, perspectives, and competencies. However, these contributions may not directly contribute to improved financial performance through increased intellectual capital alone. Gender diversity can enrich team dynamics and enhance the quality of decision-making; however, this does not necessarily lead to an improvement in the company's financial performance without adequate strategic support and corporate policies that support the effective integration of diversity. This is not in line with the findings of[36] and [45].

3.2.10 The Effect of National Diversity on Intellectual Capital Mediated Financial Performance

Table 9 shows that intellectual capital can mediate the the connection between board

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diversity and financial performance is not backed by the findings, but with a negative direction, so the tenth hypothesis is rejected. This suggests that if intellectual capital is not managed well, nationality diversity can hinder decision-making, slow innovation, and trigger conflicts within the organization. This has the potential to increase costs, decrease operational efficiency, and reduce the company's competitive advantage, which negatively impacts financial performance. This does not align with the results [41].

4. CONCLUSION

This research suggests that the financial structure and nationality diversity of directors influence intellectual capital, while gender diversity does not. This study also found that intellectual capital affects economic performance, but nationality and gender diversity have no effect. Intellectual capital can mediate the correlation between financial structure and diversity of nationality regarding financial performance despite the lack of significant findings in other areas negative direction of nationality diversity. However, intellectual capital cannot mediate the link between gender diversity and economic performance.

This research implies that intellectual capital is essential for enhancing a company's financial performance, so its development and management are crucial. Sound financial structure and transparency in information disclosure also plays a crucial role, whereas diversity within the board of directors needs to be well managed to deliver benefits. Companies should integrate diversity and manage resources optimally to achieve competitive advantage.

The limitations of this study include a narrow focus on ~~The~~ the utilization of the financial services sector in Indonesia secondary data that may not cover all relevant variables, and the lack of consideration of external factors that may affect financial performance. For future research, it is recommended that researchers expand the coverage of sectors and countries, use primary data to gain deeper insights, consider external factors, and combine qualitative with quantitative approaches. Thus, future research can make a more significant contribution to understanding the relationship between intellectual capital, board diversity, and financial performance is positive.

COMPETING INTERESTS

The researcher has declared that there is no conflict of interest.

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