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Intellectual Capital, Dividend Policy, Corporate Risk Disclosure And Firm Equity Valuation In Banking Companies Indonesia

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Abstract

The assessment of equity value serves as a crucial indicator in the banking sector, which plays a strategic role in the national economy. Fluctuations in PBV among listed banks on the IDX during 2020–2024 reflect dynamic market perceptions of banking performance. This study investigates the influence of intellectual capital and dividend policy on equity valuation with corporate risk disclosure (CRD) as an intervening variable. A quantitative research design was employed using panel data regression analysis. The sample consists of 20 banking companies listed on IDX for 2020–2024 period, with data processed through EViews software. The findings reveal that intellectual capital exerts a positive effect on equity valuation. Dividend policy and CRD demonstrate no significant influence. Furthermore, CRD does not mediate the relationship between the independent variables and equity valuation. The study highlights that equity value in Indonesia's banking industry is primarily shaped by effective management of intellectual capital, rather than by dividend policy or CRD.

Keywords: *intellectual capital, dividend policy, corporate risk disclosure, firm equity value, banking*.

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INTRODUCTION

The valuation of equity has become a central concern in financial research and practice, especially in the context of banking institutions that play a pivotal role in economic growth and stability. Equity valuation serves as a critical indicator of both firm performance and investor sentiment, providing insights into a company's ability to generate sustainable returns and manage its resources effectively. In banking, where operations are highly regulated and sensitive to macroeconomic conditions, the determinants of equity valuation are particularly complex. The Price to Book Value (PBV) ratio is widely used as a proxy for equity valuation, reflecting how the market assesses a firm's net assets relative to its book value. Fluctuations in PBV are not merely statistical variations but represent shifts in investor perceptions about growth prospects, profitability, and risk management effectiveness (Dalwai & Salehi, 2021; Suharman et al., 2022). From 2020 to 2024, Indonesian banks listed on the Indonesia Stock Exchange (IDX) displayed highly volatile PBV values, with averages of 2.63 in 2020, 4.76 in 2021, 1.76 in 2022, 1.60 in 2023, and 1.65 in 2024. These variations illustrate

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the significant influence of macroeconomic shocks, regulatory adjustments, and internal bank strategies on equity valuation in emerging markets.

Scholars have increasingly recognized that traditional financial indicators alone are insufficient to capture the dynamics of equity valuation. Intangible assets, particularly intellectual capital (IC), are now viewed as critical drivers of sustainable firm value. IC is composed of human, structural, and relational capital, each of which contributes to operational efficiency, innovation, and long-term competitiveness (Kweh et al., 2021; Mustafa et al., 2024; Vo & Tran, 2021). Human capital, as embodied in the skills and expertise of employees, directly impacts productivity and service quality. Structural capital, including organizational processes and technological infrastructure, ensures operational resilience and adaptability. Relational capital, through networks and customer relationships, fosters loyalty and market positioning (Tran & Vo, 2020; Xu & Jing-suo, 2020). In emerging markets such as Indonesia, where institutional environments are evolving and competition is intensifying, the effective management of IC can be decisive in shaping firm valuation (Li et al., 2024; Rehman et al., 2023).

The importance of dividend policy in determining firm value has been widely debated, yet remains unresolved. In developed markets, dividend policy is frequently interpreted as a signal of financial health and stability, where regular payouts foster investor confidence and contribute positively to equity valuation (Esqueda & O'Connor, 2023; Satt & Iatridis, 2022). The dividend signaling theory suggests that dividends reduce information asymmetry between managers and investors, reassuring the latter about the firm's profitability and future cash flows (Baker et al., 2020). In contrast, in emerging markets, the relationship is shaped by structural differences in governance, investor behavior, and regulatory frameworks. Empirical evidence suggests that dividends in such contexts may be less effective as signals, given higher agency costs, concentrated ownership structures, and weaker enforcement mechanisms (Boshnak, 2021; M. Farooq et al., 2022; Mazouz et al., 2022). In Indonesia, dividend policy may play an additional role of aligning the interests of majority and minority shareholders, thereby serving both as a financial signal and as a governance tool (O. Farooq et al., 2021; Nadia & Hanafi, 2022).

Corporate risk disclosure (CRD) has also emerged as a crucial determinant of equity valuation. CRD provides transparency regarding a firm's exposure to financial, operational, and strategic risks, and its capacity to manage them effectively. Studies have shown that comprehensive disclosures enhance investor confidence, reduce information asymmetry, and can improve firm valuation, particularly in times of uncertainty (Jain & Raithatha, 2021; Raimo et al., 2022). In banking, where risk is intrinsic to operations, transparent disclosure of credit, market, and liquidity risks signals robust governance and prudent management practices, both of which are valued by investors (Alshirah & Alshira'h, 2023). Conversely, vague or insufficient disclosure can heighten investor skepticism, depress stock valuations, and erode trust (Elsayed & Hassanein, 2023; Tayachi et al., 2021). Emerging markets are particularly sensitive to CRD, as heightened perceptions of institutional risk amplify the importance of transparency in sustaining investor confidence.

Despite the importance of these factors intellectual capital, dividend policy, and risk disclosure their joint influence on equity valuation remains underexplored in the Indonesian banking sector. Existing studies have typically examined these variables in isolation, leading to fragmented insights. The main research problem, therefore,

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concerns whether and how IC, dividend policy, and CRD interact to shape equity valuation, particularly in a context characterized by volatility and regulatory oversight. Specifically, there is limited empirical clarity on whether CRD functions as a mediating mechanism that channels the effects of IC and dividend policy into improved firm valuation. Addressing this gap is crucial for both academic advancement and practical decision-making in banking governance.

To address this problem, prior research has proposed that intellectual capital exerts a direct influence on firm value through its role in enhancing operational efficiency and innovation. Studies confirm that banks with stronger intellectual capital bases tend to command higher valuations, as investors perceive them as better positioned to navigate uncertainty and sustain growth (Kumalasari & Aryani, 2023; Milanda et al., 2022). Furthermore, research in other contexts indicates that IC may indirectly affect valuation by shaping disclosure quality and governance practices (Lehenchuk et al., 2024). Similarly, dividend policies have been shown to influence valuation directly in certain contexts, while in others their effect is contingent upon complementary mechanisms such as governance quality and market transparency (Alsultan & Hussainey, 2023; Wufron et al., 2023).

The potential role of CRD as an intervening variable has attracted growing scholarly interest. Several studies highlight that disclosure quality can mediate the relationship between strategic decisions and firm value by reducing uncertainty and information asymmetry (Ibrahim & Aboud, 2023; Mahmoud et al., 2023). The extant literature demonstrates that intellectual capital, dividend policy, and corporate risk disclosure each play significant roles in shaping equity valuation, yet their interactions remain insufficiently understood, especially in emerging banking markets. While IC is consistently associated with enhanced valuation, evidence on the effects of dividend policy and CRD is mixed and context-dependent. Moreover, the hypothesized mediating role of CRD has not been empirically validated in Indonesian banking, despite its potential importance in linking strategic resource management and financial policy to market valuation. This represents a critical gap that requires systematic investigation.

Against this backdrop, the present study seeks to examine the direct and indirect effects of intellectual capital and dividend policy on equity valuation, with CRD as an intervening variable, in Indonesian banking firms listed on the IDX between 2020 and 2024. By analyzing panel data covering 20 banks over five years, this research provides empirical evidence on whether IC, dividend policy, and CRD independently and interactively contribute to PBV as a measure of equity valuation. The novelty of this study lies in its integrated approach: unlike previous studies that addressed these variables separately, it investigates their combined effects within a mediating framework. The study thus contributes to advancing knowledge on value creation mechanisms in emerging market banking, providing insights for academics, policymakers, and practitioners. The scope of the research is limited to publicly listed banks in Indonesia, ensuring comparability and regulatory consistency, while offering generalizable lessons for similar contexts.

Agency Theory

Agency theory provides the foundational lens to understand conflicts of interest between principals (shareholders) and agents (managers). This framework posits that managers may pursue objectives divergent from shareholders, leading to

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inefficiencies, excessive costs, or opportunistic behavior (Esqueda & O'Connor, 2023). In the context of financial management, dividend policies are often employed as governance mechanisms to mitigate agency costs, by reducing free cash flow at the disposal of managers and compelling them to align more closely with shareholder interests (Tayachi et al., 2021). Paying dividends reduces managerial discretion over resource allocation, curtails investments in negative net present value projects, and strengthens the commitment to shareholder wealth maximization (Mazouz et al., 2022). Furthermore, the signaling effect of dividends communicates financial strength, reassuring investors about long-term prospects (El-Ansary & Hamza, 2022). Empirical studies have confirmed that firms with consistent dividend payouts often experience higher market valuations, as dividends reduce agency costs and information asymmetry (Akhmadi & Januarsi, 2021; Pham et al., 2020). However, agency conflicts remain context-dependent, with ownership structures and governance quality shaping how dividends influence firm value (Satt & Iatridis, 2022).

Resource Based Theory (RBT)

Resource Based Theory (RBT) emphasizes the role of firm-specific resources and capabilities as sources of sustained competitive advantage. Unlike traditional external positioning theories, RBT highlights that unique resources that are valuable, rare, inimitable, and non-substitutable form the foundation of superior performance (Adusei et al., 2022; Shubita, 2022). Within this framework, intellectual capital (IC) is recognized as a critical intangible asset in the knowledge economy. IC encompasses human, structural, and relational capital, each contributing uniquely to organizational performance. Human capital, through employees' expertise and skills, enables innovation and operational excellence (Krishna & Jain, 2020). Structural capital systems, processes, and organizational culture provides the infrastructure to harness human talent effectively (Kweh et al., 2021). Relational capital, including networks and stakeholder relationships, enhances trust, reputation, and market access (Trivedi & Srivastava, 2023). Empirical research confirms that higher levels of IC improve firm resilience, innovation capacity, and valuation, particularly in volatile markets (Dalwai et al., 2023; M. Farooq & Ahmad, 2023). Thus, RBT provides a robust theoretical grounding to analyze IC as a driver of banking performance and equity valuation.

Risk Management Theory

Risk Management Theory emphasizes the importance of identifying, assessing, and mitigating risks to ensure organizational sustainability. In financial institutions, where exposure to credit, liquidity, and operational risks is inherent, robust risk management practices are indispensable (Raimo et al., 2022). Corporate risk disclosure (CRD) operationalizes this theory by providing stakeholders with transparent information about risk exposures and management strategies (Jain & Raithatha, 2021). By reducing uncertainty and information asymmetry, CRD fosters investor confidence and supports valuation (Alshirah & Alshira'h, 2023). Effective CRD communicates preparedness for adverse events and compliance with regulatory frameworks, thereby serving as a reputational and governance signal (Arora et al., 2021). However, the effectiveness of CRD depends on both the quality and credibility of disclosures, as superficial or vague reporting may undermine investor trust (Elsayed & Hassanein, 2023).

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Firm Equity Valuation

Firm equity valuation refers to the estimation of shareholders' ownership value, typically determined by market perceptions of future earnings potential and risk-adjusted returns. Various approaches are employed, including discounted cash flow (DCF), price to earnings ratios (P/E), and market multiples (Khan & Qureshi, 2023). In banking, the Price to Book Value (PBV) ratio is particularly relevant, as it reflects how the market values a bank's asset base relative to its book value (Suharman et al., 2022). PBV serves as a key proxy for market confidence in operational efficiency and growth prospects (Zumente & Bistrova, 2021). High PBV ratios signal optimism about profitability and effective governance, while low PBV ratios may indicate concerns over asset quality or future earnings (Albitar et al., 2021; Dahiya et al., 2023). Thus, equity valuation offers insights not only into financial outcomes but also into the effectiveness of intangible asset management and disclosure practices.

Intellectual Capital

Intellectual capital is defined as the aggregation of intangible assets that generate value for organizations. Human capital represents employees' skills and knowledge, structural capital encompasses organizational systems and culture, and relational capital involves external networks and stakeholder trust (Kweh et al., 2021; Tiwari, 2021). In banking, IC drives innovation, service quality, and competitive differentiation (Shubita, 2022)(Shubita, 2022). Studies indicate that IC is positively associated with financial performance and firm value, particularly in emerging markets where tangible resources are constrained (Dalwai & Salehi, 2021; Indriastuti et al., 2024). Effective IC management fosters resilience, innovation, and long-term sustainability (Lehenchuk et al., 2024).

Dividend Policy

Dividend policy reflects a firm's approach to distributing earnings between reinvestment and shareholder payouts. It is influenced by agency considerations, signaling effects, and strategic financial management (Esqueda & O'Connor, 2023). Stable or increasing dividends often signal profitability and financial health, positively affecting investor confidence and stock prices (Satt & Iatridis, 2022). However, the effect varies across contexts: in emerging markets, dividend decisions may also mitigate agency conflicts and align shareholder-manager interests (Nadia & Hanafi, 2022; Wirama et al., 2024). Dividend policy thus plays both a governance and signaling role, influencing firm valuation through market perceptions and financial strategy (Battisti et al., 2021; Mazouz et al., 2022).

Corporate Risk Disclosure

Corporate risk disclosure (CRD) entails the systematic communication of risk exposures, mitigation strategies, and their financial implications. Effective CRD enhances transparency, reduces investor uncertainty, and supports informed decision-making (Raimo et al., 2022). Risk disclosures typically include financial, operational, and regulatory risks, as well as descriptions of governance frameworks for risk management (Nuhu et al., 2024). By aligning with international standards such as IFRS and GRI, CRD strengthens corporate credibility and investor trust (Saravanan et al., 2023). Empirical studies demonstrate that firms with robust CRD practices tend to experience higher market valuations, particularly in high-risk sectors like banking

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(Elmarzouky et al., 2022; Savitri et al., 2022). However, the extent of CRD's impact is contingent on disclosure quality, with superficial reports failing to improve or even damaging investor perceptions (Tayachi et al., 2021).

METHODOLOGY

The present study adopts a quantitative research design to examine the direct and indirect effects of intellectual capital, dividend policy, and corporate risk disclosure on firm equity valuation within the Indonesian banking sector. Quantitative approaches are particularly suitable for financial management research as they enable the analysis of causal relationships using measurable indicators and statistical tools (Saha & Kabra, 2021; Smriti & Das, 2021). The research design employs a panel regression framework, which integrates cross-sectional and time-series dimensions, thus capturing both firm-specific and temporal variations. Panel regression has been widely applied in finance-related studies due to its robustness in addressing unobserved heterogeneity and dynamic effects(Akgün & Türkoğlu, 2023; Battisti et al., 2021). This methodological approach allows for the evaluation of fixed effects and random effects models, offering insights into whether firm specific factors significantly influence observed outcomes. By focusing on multiple firms across several years, the design ensures that the empirical evidence reflects broader sectoral dynamics rather than isolated firm-level variations.

The population of the study consists of all commercial banks listed on the Indonesia Stock Exchange (IDX) between 2020 and 2024, comprising 47 firms. To ensure representativeness while maintaining data quality, the study applies a purposive sampling technique, selecting 20 banks based on criteria such as availability of complete financial statements, continuous listing during the observation period, and accessibility of disclosure information. Purposive sampling is a common practice in financial research where data availability and regulatory reporting are critical determinants of inclusion (M. Farooq et al., 2022; Nadia & Hanafi, 2022). The five year observation period provides a comprehensive dataset that captures fluctuations in bank performance and investor perceptions during a time of heightened economic uncertainty, including the post-pandemic recovery. With 20 firms observed over five years, the dataset comprises 100 firm year observations, ensuring sufficient variability for robust regression analysis while maintaining manageable data integrity checks.

Data collection relies exclusively on secondary data sources, particularly annual financial statements and disclosure reports published through the IDX and official bank websites. The use of secondary data enhances reliability and comparability, as these documents are subject to regulatory oversight and auditing standards (Hasan et al., 2021; Ibrahim & Aboud, 2023). For each construct, the study employs widely recognized measurement proxies to ensure validity and alignment with prior research. Intellectual capital is measured using the Value Added Intellectual Coefficient (VAIC) model, which captures efficiency in human capital, structural capital, and capital employed. VAIC has been validated in numerous studies as a comprehensive measure of IC's contribution to firm performance (Akgün & Türkoğlu, 2023; Savitri et al., 2022). Dividend policy is proxied by the dividend payout ratio, calculated as dividends per share divided by earnings per share, reflecting the firm's balance between profit distribution and reinvestment (Akhmadi & Januarsi, 2021; Hasan et al., 2021). Corporate risk disclosure is measured through CRD indices, developed by content analysis of annual reports, where higher scores indicate more comprehensive and

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transparent disclosure (Alshirah & Alshira'h, 2023; Nuhu et al., 2024). Equity valuation is represented by the Price to Book Value (PBV) ratio, widely recognized as an indicator of market perceptions of firm value relative to book assets, particularly in banking (Nadia & Hanafi, 2022; Rehman et al., 2023). These proxies ensure theoretical consistency and empirical comparability with prior literature.

The data analysis technique is based on panel regression, conducted using EViews 13 software, which allows for robust estimation of fixed and random effects models. The choice between these models is determined through standard specification tests, including the Chow test to distinguish between pooled OLS and fixed effects, the Hausman test to select between fixed and random effects, and the Lagrange Multiplier (LM) test to evaluate the appropriateness of random effects compared to pooled OLS (Akbar et al., 2023; M. Farooq & Ahmad, 2023; Katona, 2021). Prior to estimation, classical assumption tests are performed to ensure validity, addressing issues of multicollinearity, heteroscedasticity, and normality of residuals (Bhattu-Babajee & Seetanah, 2021; M. Rahman & Hongyi, 2023). Hypothesis testing evaluates the significance of coefficients at the 5% confidence level, consistent with common practices in financial econometrics. In cases where mediating effects are hypothesized, the Sobel test is applied to assess whether CRD significantly mediates the relationship between intellectual capital and dividend policy with equity valuation (Gupta & Raman, 2021).

RESULT AND DISCUSSION

Descriptive Statistical Analysis. The purpose of this study is to present a thorough depiction of the dataset employed while simultaneously identifying the underlying relational patterns among the examined variables. Descriptive statistics are operationalized through four fundamental measures, namely the maximum value, the minimum value, the mean, and the standard deviation.

Tabel 1. Descriptive Statistics Result

Variable	N	Mean	Median	Minimum	Maximum	Std. Deviation
Equity Valuation	100	1,50841	0,84590	0,42781	4,86498	2,68056
Intellectual Capital	100	4,00669	3,14214	- 0,63048	13,32371	5,50708
Dividend Policy	100	0,36015	1,61849	-	0,85367	0,80694
Corporate Risk Disclosure	100	1,10375	0,83836	1,00000	1,50000	1,36321

Source: Secondary data processed, 2025

The descriptive statistics presented in Table 1 provide an overview of the distributional characteristics of the study variables, including equity valuation, intellectual capital, dividend policy, and corporate risk disclosure. Descriptive analysis serves as a crucial preliminary step in financial research, as it highlights patterns, central tendencies, and variability in the dataset, which in turn informs the robustness of subsequent regression models. Equity valuation, measured by Price to Book Value (PBV), demonstrates a mean of 1.51 with a wide dispersion, as indicated by a standard deviation of 2.68. This variation suggests significant heterogeneity in market perceptions of banking firms, which is consistent with studies emphasizing the volatility of equity valuation in emerging markets. Intellectual capital (VAIC) records

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a mean of 4.00, with values ranging from negative to 13.32, reflecting differences in the efficiency of intangible asset utilization among banks. Such variability supports prior findings that intellectual capital contributions to firm value are uneven across financial institutions. Dividend policy, proxied by the dividend payout ratio, shows a mean of 0.36 but with substantial variation, echoing evidence that dividend practices in emerging markets often diverge due to ownership structures and governance mechanisms. Corporate risk disclosure has a mean of 1.10 with relatively low variability, suggesting that disclosure practices are strongly influenced by regulatory requirements rather than voluntary differentiation.

Model Selection for Panel Data Regression

Model selection is a crucial step in panel data regression, as it ensures that the chosen estimation technique accurately reflects the underlying data structure and mitigates potential biases (Saha & Kabra, 2021; Smriti & Das, 2021). In this study, three specification tests were employed to determine whether pooled ordinary least squares (CEM), fixed effects (FEM), or random effects (REM) models were most appropriate for analyzing the relationship between intellectual capital, dividend policy, corporate risk disclosure, and equity valuation.

Tabel 2. Model Selection

First Model	Calculate	P Value	Result
Chow Test (CEM vs FEM)	Cross section F: 100.708309	0.0000	FEM
Haussman Test (FEM vs REM)	Chi-sq. Statistic: 8.675560	0.0339	FEM
Second Model	**Calculate**	**P Value**	**Result**
Chow Test (CEM vs FEM)	Cross section F: 622189.518075	0.0000	FEM
Haussman Test (FEM vs REM)	Chi-sq. Statistic: 1.063170	0.5877	REM
Lagrange Multiplier Test (REM vs CEM)	Breusch-pagan: 177.2637	0.0000	REM

Source: Secondary data processed with Eviews 13, 2025

For the first model, the Chow test comparing CEM and FEM yielded a highly significant result ($F = 100.71$; $p = 0.0000$), indicating that FEM provides a better fit than the pooled model. The Hausman test further supported this conclusion ($\chi^2 = 8.68$; $p = 0.0339$), suggesting that unobserved firm-specific effects are correlated with explanatory variables, and thus FEM is the most consistent estimator. For the second model, the Chow test again favored FEM ($F = 622{,}189.52$; $p = 0.0000$). However, the Hausman test ($\chi^2 = 1.06$; $p = 0.5877$) indicated that REM was more efficient, a result further confirmed by the Breusch–Pagan Lagrange Multiplier test ($\chi^2 = 177.26$; $p = 0.0000$). Consequently, REM was selected for the second specification, reflecting the presence of random heterogeneity uncorrelated with regressors.

Classical assumption test

Classical assumption tests are conducted to evaluate whether the regression model satisfies the key requirements of linear estimation, including normality, multicollinearity, heteroskedasticity, and autocorrelation. Ensuring these assumptions helps avoid biased or inefficient estimators, particularly in financial management studies where dynamic interactions among variables may complicate estimation (Dalwai & Salehi, 2021; Trivedi & Srivastava, 2023).

Tabel 3. Results of the classical assumption test

First Model	Calculate	Criteria	Result
Normality test	Jarque-Bera: 13.76239	> 0.05	Normally distributed

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Multicollinearity test	Centred VIF: 0.13972822	< 0.90	No multicollinearity issue
Heteroskedasticity test	Prob X1: 0.7859 Prob X2: 0.3664	> 0.05	No heteroskedasticity issue
Autocorrelation test	Prob: 0.0000	> 0.05	Autocorrelation

Source: Secondary data processed with Eviews 13, 2025

For the first model, the Jarque-Bera test indicated a probability value greater than 0.05, suggesting that residuals were normally distributed and thus meeting the normality assumption. Multicollinearity was assessed using the Variance Inflation Factor (VIF), yielding a centered VIF of 0.1397, well below the threshold of 0.90, confirming the absence of collinearity among independent variables (Nguyen-Trong & Nguyen, 2020). Heteroskedasticity was also not detected, as probability values for the independent variables exceeded 0.05. However, the autocorrelation test showed significant correlation among residuals ($p = 0.0000$). While autocorrelation may undermine the efficiency of Ordinary Least Squares (OLS) estimators, its impact is mitigated under the Fixed Effects Model (FEM), which accounts for unobserved heterogeneity and within group variation (López-Zapata & Ramírez-Gómez, 2021). Researchers have noted that FEM remains consistent even when OLS assumptions are violated, as it effectively absorbs time-invariant effects (Habib & Mourad, 2023).

In the second model, which employed the Random Effects Model (REM), strict adherence to all classical assumptions was not required. REM incorporates an error component approach, decomposing error terms into individual-specific and idiosyncratic components, thereby reducing sensitivity to violations such as heteroskedasticity or mild autocorrelation (Ghlichlee et al., 2024; Tayachi et al., 2021). This methodological flexibility makes REM particularly robust in panel data contexts, where both cross-sectional and temporal variations are prevalent (Sarah & Probohudono, 2024; Savitri et al., 2022).

Hypothesis Test

Hypothesis testing serves as a central analytical procedure in empirical finance research, enabling scholars to evaluate the statistical validity of relationships between theoretical constructs and observed data (Dalwai & Salehi, 2021). By establishing null (H_0) and alternative (H_1) hypotheses, researchers assess whether the observed associations between intellectual capital, dividend policy, corporate risk disclosure, and equity valuation arise from systematic effects or random variation. The decision criterion typically hinges on the significance level ($\alpha = 0.05$), where p-values below the threshold provide grounds for rejecting the null hypothesis in favor of the alternative (Vaghfi et al., 2024).

Tabel 4. Results of the hypothesis test

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First Model	Prob.	Criteria	Result
Intellectual Capital → Equity Valuation	0.002	< 0.05	Significant effect
Dividend Policy → Equity Valuation	0.3601	< 0.05	No significant effect
Corporate Risk Disclosure → Equity Valuation	0.5268	< 0.05	No significant effect
Second Model	**Prob.**	**Criteria**	**Result**
Intellectual Capital → Corporate Risk Disclosure	0.7087	< 0.05	No significant effect
Dividend Policy → Corporate Risk Disclosure	0.6065	< 0.05	No significant effect

Source: Secondary data processed with Eviews 13, 2025

In the first model, results revealed that intellectual capital significantly influenced equity valuation (p = 0.002), supporting the hypothesis that intangible resources enhance firm value. This finding aligns with prior studies highlighting the role of human and structural capital in improving operational efficiency and boosting market performance (Boonchukham et al., 2023; Kulshrestha & Patro, 2021). Conversely, dividend policy (p = 0.3601) and corporate risk disclosure (p = 0.5268) exhibited no significant direct effects on equity valuation. These outcomes suggest that in the Indonesian banking sector, dividends and disclosure practices may not be primary drivers of market valuation, echoing evidence from emerging markets where agency conflicts and regulatory environments mediate such effects (Esqueda & O'Connor, 2023; Satt & Iatridis, 2022).

In the second model, neither intellectual capital (p = 0.7087) nor dividend policy (p = 0.6065) significantly affected corporate risk disclosure. This indicates that disclosure practices are likely shaped more by regulatory compliance than by internal strategic choices, consistent with findings from (Alshirah & Alshira'h, 2023) and (Ibrahim & Aboud, 2023). In the present study, the Sobel test was not conducted because the mediating variable, corporate risk disclosure (CRD), did not demonstrate a significant effect on equity valuation. Mediation analysis requires the intervening variable to establish both a significant association with the independent variables intellectual capital and dividend policy and a significant direct effect on the dependent variable, in this case, equity valuation. Since CRD failed to meet this condition, no indirect pathway could be established, meaning that intellectual capital and dividend policy do not exert significant indirect effects on equity valuation through CRD (Ahmad, 2023; Truong et al., 2024).

The theoretical underpinning of mediation analysis emphasizes that a mediator must transmit part of the causal influence from the independent to the dependent variable. When CRD lacks explanatory power over equity valuation, any potential indirect effect becomes statistically irrelevant, rendering the Sobel test unnecessary (Singh & Verma, 2023). Previous studies highlight the importance of preliminary regression checks to determine whether mediation conditions are satisfied before engaging in Sobel testing (S. Rahman et al., 2024; Song et al., 2023). By excluding an unwarranted Sobel test, this study adheres to methodological rigor, focusing only on

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significant relationships and ensuring analytical efficiency. This approach aligns with best practices in empirical finance, where mediation tests are applied selectively to variables that substantively contribute to the explanatory framework (Ullah et al., 2022).

The findings of this study reinforce the central role of intellectual capital (IC) in driving equity valuation in Indonesian banks. The significant relationship observed confirms that human, structural, and relational capital enhance innovation and efficiency, thereby strengthening firm value (Hermanto et al., 2021; Rehman et al., 2023). This aligns with the resource-based theory, which emphasizes intangible resources as sustainable sources of competitive advantage (Akgün & Türkoğlu, 2023).

By contrast, dividend policy showed no significant impact on equity valuation, echoing Miller and Modigliani's irrelevance theory in efficient markets (Budhathoki & Khadka, 2024). Empirical evidence similarly highlights that investors in emerging markets tend to prioritize profitability, asset quality, and investment efficiency over payout decisions (Wirama et al., 2024). This suggests that dividend signaling may be less influential in contexts where market governance and regulatory structures differ from developed economies (Flammer et al., 2021).

Corporate risk disclosure (CRD) was also found to be insignificant in explaining firm value, indicating that current disclosure practices may not sufficiently assure investors. Prior research suggests that unless disclosures are accompanied by robust mitigation strategies, they fail to influence investor confidence (Albitar et al., 2021; Ibrahim & Aboud, 2023). The results imply that Indonesian banks' valuations are shaped more by operational fundamentals and IC management than by dividend policy or CRD.

CONCLUSION

This study provides empirical evidence on the determinants of equity valuation in the Indonesian banking sector, emphasizing the central role of intellectual capital (IC). The findings confirm that efficient management of human, structural, and relational capital enhances firm value, consistent with prior research highlighting the strategic importance of intangible assets in driving competitive advantage and market performance (Lehenchuk et al., 2024). In line with resource-based theory, IC emerges as a key determinant of equity valuation in knowledge-intensive industries, particularly in emerging markets where human and structural capabilities underpin sustainable growth (Rehman et al., 2023).

Conversely, dividend policy was found to have no significant effect on equity valuation, supporting the irrelevance hypothesis of Miller and Modigliani, which suggests that firm value is determined by earnings potential rather than payout distributions in efficient markets (Budhathoki & Khadka, 2024). Similar evidence in Indonesian and other emerging market contexts demonstrates that investor perceptions rely more heavily on investment efficiency and asset quality than on dividend decisions (Fadila et al., 2023; Wufron et al., 2023).

Corporate risk disclosure (CRD) also showed no significant direct or mediating effect on firm value. This aligns with findings that risk disclosure alone does not necessarily enhance investor confidence unless supported by robust mitigation strategies (Ibrahim & Aboud, 2023). Ultimately, the study concludes that equity valuation in Indonesian banks is primarily shaped by intellectual capital rather than

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dividend policy or disclosure practices, underscoring the importance of intangible asset management for long term value creation.

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