

ABSTRACT

This study aims to analyze the direct effect of intellectual capital and good corporate governance on financial performance, as well as the indirect effect through the mediating variable of innovation performance. This research is a quantitative descriptive study using secondary data from the financial statements of all companies listed on the Indonesia Stock Exchange (IDX) in 2018-2022. The sampling technique used is the purposive sampling technique. The sample that met the criteria was 43 companies with five years of observation, so 215 ready-to-process data were obtained. The data analysis technique used is Structural Equation Modeling - Partial Least Square (SEM-PLS) WarpPLS application program.

The research findings show that intellectual capital and good corporate governance directly have a significant positive effect on innovation performance. In the direct effect, intellectual capital has an insignificant positive effect on financial performance, but good corporate governance and innovation performance have a significant positive effect on financial performance. In the indirect relationship, intellectual capital and good corporate governance have a significant positive effect on financial performance through innovation performance. The research results can add to the research literature on intellectual capital, good corporate governance, innovation performance, and corporate financial performance in developing countries. The study results emphasize that investment in innovation is important, as innovation can help create added value and a positive impact on financial performance. In addition, it provides an overview to investors about the condition of the company, so that it becomes a consideration in making investment decisions.

Keywords: *Intellectual Capital, Good Corporate Governance, Innovation Performance, Financial Performance*