

ABSTRACT

The success of banking entities in carrying out their business operations can be seen through financial performance. Financial performance using Return on Assets (ROA) is a measuring tool to determine the company's ability to manage its finances. Competition between banks is getting tighter with an increase in the number of banking entities listed on the Indonesia Stock Exchange. In addition, banks are required to have good financial performance because banks are one of the industries that have a major impact on the development of the Indonesian economy. However, there are still bank companies that have low financial performance. As a result, company management must find solutions so that banks can increase the effectiveness of their financial performance.

This study aims to analyze how the influence of intellectual capital, competitive advantage, and leverage on the effectiveness of financial performance. The aspects examined in this study include the theoretical basis of variables, hypothesis testing analysis, and discussion of the effect of independent variables on the dependent variable.

The research method used is quantitative with panel data regression analysis and using E-Views 12 software. The research data uses secondary data, namely annual reports and financial reports obtained through the entity's official website and IDX. The population in this study were banking entities listed on the Indonesia Stock Exchange for the period 2018-2022. The sampling technique used was purposive sampling so that a sample of 41 banking entities or 205 observation data was obtained.

The results of this study indicate that simultaneously intellectual capital, competitive advantage, and leverage affect financial performance. While partially intellectual capital has a significant negative effect on financial performance, competitive advantage and leverage have no effect on financial performance.

For banking entities, this research is expected to be a consideration to reduce or reduce costs incurred in developing corporate intellectual capital in order to improve the company's financial performance. Meanwhile, for investors, this research is expected to be a consideration in assessing and being more selective in choosing entities that have high profitability, to be used as a place to invest.

Keywords: *Competitive Advantage, Financial Performance, Intellectual Capital, Leverage*