



The Effect of Intellectual Capital Performance, Profitability, Leverage, Managerial Ownership, Institutional Ownership, and Independent Commissioner on The Disclosure of Intellectual Capital

Yuni Dwi Muryanti✉, Subowo

Jurusan Akuntansi, Fakultas Ekonomi, Universitas Negeri Semarang, Indonesia

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Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh kinerja modal intelektual, profitabilitas, leverage, kepemilikan manajerial, kepemilikan institusional, dan komisaris independen terhadap pengungkapan modal intelektual. Populasi dalam penelitian ini adalah perusahaan perbankan yang terdaftar di Bursa Efek Indonesia tahun 2012-2014. Penelitian ini menggunakan metode purposive sampling dalam pengambilan sampel dan diperoleh 69 unit analisis yang menjadi objek pengamatan. Metode analisis yang digunakan adalah regresi berganda. Hasil penelitian menunjukkan bahwa profitabilitas, kepemilikan institusional, dan komisaris independen berpengaruh positif terhadap pengungkapan modal intelektual. Sedangkan kinerja modal intelektual, leverage, dan kepemilikan manajerial tidak berpengaruh terhadap pengungkapan modal intelektual. Saran bagi penelitian selanjutnya adalah penggunaan sampel yang lebih luas sehingga hasilnya dapat digeneralisasi dan menggunakan metode lain dalam pengumpulan data seperti wawancara atau kuesioner untuk mencari informasi mengenai pengungkapan modal intelektual perusahaan.

Abstract

This study aimed to analyze the effect of intellectual capital performance, profitability, leverage, managerial ownership, institutional ownership and independent commissioners on the disclosure of intellectual capital. The population in this study was banking companies listed in Indonesia Stock Exchange in 2012-2014. This study used purposive sampling method in taking sample and acquired 69 units of analysis which was the object of observation. The analytical method used was multiple regression. The results showed that profitability, institutional ownership and independent directorshad had positive effect on the disclosure of intellectual capital. While the performance of intellectual capital, leverage, and managerial ownership had no effect on the disclosure of intellectual capital. Suggestions for future research is the use of a broader sampling so that the results can be generalized and used other methods of data collection such as interviews or questionnaires to seek information regarding the disclosure of the company's intellectual capital.

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✉ Correspondence Author:
Gedung L2 Lantai 2 FE Unnes
Kampus Sekaran, Gunungpati, Semarang, 50229
Email: yunidwi94@yahoo.co.id

INTRODUCTION

Managers in decision-making are influenced by how much the quality of corporate disclosure which is disclosed through Annual Reports in order to the information presented in the financial statements can be understood and does not result in misinterpretation. The shift of business economy from a labour based business to a knowledge-based business requires an understanding that corporate competitive advantage depends on how the company creates, manages and utilizes intangible assets. Speaking of intangible assets, intellectual capital is often associated as one of the forms of intangible asset that is an important component of the company in gaining competitive advantage in order to the company is able to keep surviving in an increasingly tight business world. Intellectual capital as a valuable asset for a company gives a challenge alone for accountants to be able to identify, measure, and disclose it in the corporate financial statements. The disclosure of intellectual capital is defined by Abeysekera and Guthrie (in Meizaroh 2012) as a report intended to meet generally required information to users who do not have the authority to give orders in the preparation of reports on intellectual capital. According to Bruggen et al. (in Main 2015) intellectual capital disclosure can help companies to reduce information asymmetry so as to increase investor's trust and employee's loyalty. In addition, intellectual capital disclosure can also provide an idea of the value of the company and the creation of corporate wealth.

Intellectual capital disclosure has an important role in the creation of corporate value. Through intellectual capital disclosure, the company can gain competitive advantage and the company will get more value in the eyes of investors than other companies. But in reality, there are still a few companies, especially in Indonesia which do intellectual capital disclosure. This is seen from the low level of corporate intellectual capital disclosure in Indonesia. Some studies show that intellectual capital disclosure is still low ranging from 23-42%. The low disclosure is none other than because intellectual capital disclosure is a new thing that the information related to intellectual capital itself is still small. The absence of standard guidelines relating to the measurement and disclosure of intellectual capital and the different policy implementation of each company results in differences in intellectual capital disclosure rates. In addition, the disclosure of intellectual capital that is voluntary causes companies in Indonesia are still many which have not made this disclosure.

The research on intellectual capital disclosure has been pretty much done but still shows different results. Purnomosidhi (2005) and Pratiwi (2013) find that the performance of intellectual capital has an effect on intellectual capital disclosure. Nevertheless, research conducted by Saendy (2015) find result that had no effect. Ousama et.al. (2012), Pratiwi (2013) and Utama (2015) find that profitability has a positive effect on intellectual capital disclosure. Meanwhile, Purnomosidhi (2005), Meizaroh (2012) and Lina (2013) find that profitability has no effect on intellectual capital disclosure. White et al (2007) and Utama (2015) find that leverage affects on intellectual capital disclosure. While Istanti (2009), Ousama et al (2012), and Setianto (2014) give different results. Utama (2015) finds that managerial ownership and institutional ownership affecting the extent of intellectual capital disclosure. While Aisha (2014) finds that managerial ownership and institutional ownership have no effect on the extent of intellectual capital disclosure. White et al (2007) and Puasanti (2013) find the influence of independent commissioners on the extent of intellectual capital disclosure. However, the result of this study contradict the research of Istanti (2009) and Prabowo (2014).

The performance of intellectual capital is an important factor in the creation of corporate value. Companies with good intellectual capital performance have their own excellence from other companies. Intellectual capital disclosure will provide more value to the company in the eyes of its stakeholders. The better the performance of intellectual capital owned by company will give its own advantages for the disclosure done by the company. Purnomosidhi (2005) finds evidence that the

performance of the corporate intellectual capital has an effect on the disclosure of the corporate intellectual capital.

H1: Intellectual capital performance has a positive effect on intellectual capital disclosure.

According to signal theory, companies with greater profits tend to disclose good news to avoid a low rating of their shares. With the existence of disclosure costs, companies whose performance exceeds certain limits will disclose, whereas those not performing well will not disclose (Verrecchia and Dye in Meizaroh 2012). The result of the research conducted by Saendy (2015) finds that finance which is proxied by profitability has a positive effect to intellectual capital disclosure. The same result is shown by Utama (2015).

H2: Profitability positively affects on intellectual capital disclosure.

Companies that have high debt proportions in their capital structure will bear higher agency costs compared to companies with a small debt proportion. To reduce the agency cost, the management of the company can reveal more information that is expected being increased along with the high level of leverage (Main, 2015). Agency theory predicts that companies with higher leverage ratios will reveal more information. One of which is through the disclosure of intellectual capital. Purnomosidhi (2005) and White et al., (2007) show that leverage has a positive effect on intellectual capital disclosure.

H3: Leverage positively affects intellectual capital disclosure.

The unification of interests between agents and principals will encourage managers to reduce their opportunistic actions to achieve the same interests with shareholder interests. One way that can be done is by presenting more complete information including intellectual capital disclosure. Research conducted by Utama (2015) finds result that managerial ownership has an effect on the extent of intellectual capital disclosure. The result of this study is supported by the result of Kateb's research (2014).

H4: Managerial ownership positively affects on intellectual capital disclosure.

The existence of relatively small institutional investors in the ownership structure and the low percentage of shares traded on the stock exchanges in Indonesia according to agency theory can reduce the amount of disclosure because managers do not have strong incentives to convince stakeholders about the firm's optimal performance (Purnomosidhi, 2005). In other words, if the institutional ownership of a company is high, it will affect the increase in the area of disclosure made by the company. Research conducted by Utama (2015) shows that institutional ownership affects on intellectual capital disclosure.

H5: Institutional ownership positively affects on intellectual capital disclosure.

The proportion of independence members in the board of commissioners is seen as an indicator of the independence of the management board. The presence of independent commissioners on the board can improve the quality of supervisory activities within the company because it is not affiliated with the company as an employee, and this is an independent representation of the shareholders' interests (Firth and Rui, 2006 in Puasanti, 2013). White et al (2007) and Puasanti (2013) find evidence that there was a significant relationship between independent commissioners and intellectual capital disclosure.

H6: Independent commissioners has a positive effect on intellectual capital disclosure.

METHODS

This research was a quantitative research. The data in this study came from the annual report of banking companies listed on the Indonesia Stock Exchange (IDX) in 2012-2014. The population in this study was banking companies listed on the Indonesia Stock Exchange (IDX) in 2012-2014. Sampling technique in this research used purposive sampling method. Variables in this study

consisted of dependent variable and independent variable. The dependent variable in this research was intellectual capital disclosure. The independent variables in this study included the performance of intellectual capital, profitability, leverage, managerial ownership, institutional ownership, and independent commissioners. Here was the operational definition of each variable:

Table 1. Operational Definition of the Variables

| Name of Variables | Definition | Measurement |
|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| Intellectual Capital Disclosure | The disclosure of intellectual capital was calculated using disclosure index numbered 78 items (Bukh, et al., 2005) | $ICD = \frac{\Sigma \text{score of disclosure done by the company}}{\Sigma \text{score of disclosure done by the company}}$ |
| Intellectual Capital Performance | Intellectual capital performance was measured by value added created by physical capital (VACA), human capital (VAHU), and structural capital (STVA) symbolized by VAIC TM (Pulic, 1998) | $VAIC^{TM} = VAHU + VACA + STVA$ |
| Profitability | ROA was a measure of profitability that measured the performance of management in managing corporate assets to generate profits. | $ROA = \frac{\text{Earning before tax}}{\text{Total asset}}$ |
| Leverage | Ratio to measure to what extent the corporate assets are financed from debt. | $DER = \frac{\text{Total liabilities}}{\text{Total equities}}$ |
| Managerial Ownership | Managerial ownership was the proportion of shareholding by the corporate managers. | $MANOWN = \frac{\text{Number of shares owned by manager}}{\text{Number of shares outstanding}}$ |
| Institutional ownership | Institutional ownership is the proportion of shareholding by the institution. | $INSOWN = \frac{\text{Number of shares owned by institution}}{\text{Number of shares outstanding}}$ |
| Independent Commissioner | Independent commissioner is a neutral party within the company. | $IND = \frac{\text{Number of Independent commissioner}}{\text{Number of board of commissioner}}$ |

Data collection method in this study used content analysis, which was a method of research data collection through observation technique and analysis of the contents or messages of a document. The purpose of content analysis was to identify the characteristics or specific information contained in a document to produce an objective and systematic description (Indriantoro in Istanti 2009). The analysis method used was descriptive statistics and inferential analysis. Descriptive analysis was used to know the general description of research data related to research variables. While the inferential analysis was used to test the research hypothesis used multiple regression with the fulfilment of classical assumption test.

RESULTS AND DISCUSSIONS

Based on the result of descriptive statistical analysis, it was known that intellectual capital disclosure was still low at 43%. The result of the classical assumption test in this study showed that the model made in this study was free from classical assumptions consisting of normality test, multicollinearity test, autocorrelation test and heteroscedasticity test. The regression model used in this study was as follows:

$$ICD = \alpha + \beta_1VAIC + \beta_2ROA + \beta_3LEV + \beta_4MANOWN + \beta_5INSOWN + \beta_6IND + \varepsilon$$

Notes:

- ICD = Intellectual Capital Disclosure
- VAIC = intellectual capital performace
- ROA = profitability
- LEV = leverage
- MANOWN = managerial ownership
- INSOWN = institutional ownership
- IND = independent commissioners

Table 2. The Coefficient of Determination

Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------|----------|-------------------|----------------------------|
| 1 | .557a | .311 | .244 | 4.28727 |

a. Predictors: (Constant), IND, VAIC, LEV, MANOWN, INSOWN, ROA

b. Dependent Variable: ICD

Source : Secondary data processed, 2016

The coefficient of determination (Adjusted R²) value in Table 2 was 0.244. This showed that the capability of six independent variables that intellectual capital performance, profitability, leverage, managerial ownership, institutional ownership, and independent commissioners were able to explain the variation in intellectual capital disclosure by 24.4%. While the rest that was equal to 75.6% (100% -24.4%) explained by other variables outside the model.

Table 3. The Result of Regression Equation

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|-------|------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 27.565 | 5.313 | | 5.188 | .000 |
| | VAIC | -.083 | .423 | -.025 | -.197 | .844 |
| | ROA | 3.045 | .706 | .554 | 4.313 | .000 |
| | LEV | -.142 | .225 | -.070 | -.632 | .530 |
| | MANOWN | .012 | .100 | .014 | .120 | .905 |
| | INSOWN | .059 | .026 | .280 | 2.289 | .025 |
| | IND | .145 | .069 | .256 | 2.114 | .039 |

a. Dependent Variable: ICD

Source : Secondary data processed, 2016

Based on Table 3, it was obtained the equation as follows:

$$ICD = 27,565 - 0,083VAIC + 3,045ROA - 0,142LEV + 0,012MANOWN + 0,059INSOWN + 0,145IND + \varepsilon$$

The result of multiple regression analysis showed that intellectual capital performance (VAIC) has no effect on intellectual capital disclosure so H1 was rejected. This finding was in line with research conducted by Ferreira (2012) and Saendy (2015) which state that the performance of

intellectual capital did not affect the extent of intellectual capital disclosure. This could be due to intellectual capital was information that was still voluntary where there was no policy that regulated intellectual capital disclosure so that management did not optimize the disclosure of corporate intellectual capital.

Profitability (ROA) had a positive effect on intellectual capital disclosure so that H2 was accepted. The result of this study was in accordance with the research conducted by Ousama et al. (2012), Pratiwi (2013), and Utama (2015) which stated that profitability had a significant effect on intellectual capital disclosure with a positive direction. The result of this study indicated that the signal theory proved to explain the effect of profitability on intellectual capital disclosure. The disclosure of the corporate intellectual capital could indicate that profitability was the result of capital investment and the company would use intellectual capital disclosure to provide the positive signal (Li et al., 2008).

Leverage (LEV) had no effect on intellectual capital disclosure so H3 was rejected. The result of this study was in line with research conducted by Istanti (2009) and Ousama et al (2012), which stated that there was no relationship between leverage and intellectual capital disclosure. This could be due to companies that had a high level of leverage, would be more careful in doing its activities, including in terms of disclosure of the company so as not to be in the spotlight of the stakeholders.

Managerial ownership (MANOWN) had no effect on intellectual capital disclosure so H4 was rejected. The result of this study was in line with research conducted by Firer (2002) and Aisyah (2014). This could be due to the fact that managers already have sufficient access to obtain the information they need so that management was not optimal in disclosure including intellectual capital.

Institutional ownership (INSOWN) had a positive effect on intellectual capital disclosure so that H5 was accepted. This finding was in line with research conducted by Utama (2015) which stated that institutional ownership affected on intellectual capital disclosure. Firms with high institutional ownership would increase monitoring to the management so management was more inclined to make more transparent disclosures.

Independent Commissioner (IND) had a positive effect on intellectual capital disclosure so that H6 was accepted. The results of this study was in line with research conducted by White et al., (2007), which stated that independent commissioners had an effect on intellectual capital disclosure. The existence of independent commissioners supported the principle of responsibility to disclose intellectual capital in the implementation of corporate governance, which required companies to provide better information as a form of accountability to stakeholders.

CONCLUSIONS

Based on the results of the study, it can be concluded that profitability, institutional ownership, and independent commissioners positively influence intellectual capital disclosure, while intellectual capital performance, leverage, managerial ownership have no effect on intellectual capital disclosure. Further research can use different measurements such as scandia navigator or value based measurement to measure the performance of intellectual capital and debt to asset ratio (DAR) to measure leverage. In addition, it can add other variables related to intellectual capital disclosure as independent variables.

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