



## The Analysis of Firm Size in Moderating the Determinants of Intellectual Capital Disclosures

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### ABSTRACT

The purpose of this research is to analyse the influence of profitability, earning growth, and independent commissioner of the intellectual capital disclosure with firm size as a moderating variable. The population of this study is manufacturing companies listed in Indonesia Stock Exchange (IDX) from 2014 until 2016 consisting of 149 companies. Samples are selected using purposive sampling method and obtained 189 unit analyses as observations' objects from 63 companies. Moderated regression analysis by difference absolute value test was used to analyse data. The study result shows that profitability effect positively significant on intellectual capital disclosure. Earnings growth and independent commissioner has significantly influenced but in negative way. Firm size moderates significantly the effect of profitability and earnings growth on intellectual capital disclosure, but firm size cannot be used to moderate the influence of independent commissioners on intellectual capital disclosure. Conclusion from this research that intellectual capital disclosure is influenced by profitability and firm size can moderate the effect of profitability and earnings growth.

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### INTRODUCTION

The development of the business world in the era of globalization has given consequences in increasingly competitive competition and has made a changing perspective for business people in maintaining their economic existence. This makes business people try to increase their intangible assets by rapidly changing their strategies from labour-based businesses to knowledge based business. This strategy is the basis for decision making by company management and the ability to compete (Sawarjuwono & Kadir, 2003).

Labour-based companies and have not moved to knowledge result in the disclosure of annual reports is low, so companies are expected to present reports containing information for stakeholders, not only financial statements that are mandatory but also voluntary one of which is about intellectual capital (Sawarjuwono & Kadir, 2003). The benefit of intellectual capital disclosure is that companies can reduce information asymmetry and can help reduce the cost of corporate capi-

tal (Suhardjanto & Wardhani, 2010). Another benefit is increasing transparency by revealing more intangible information than tangible information, increasing workers' trust, and supporting the organization's long-term vision (Ferreira & Branco, 2012).

Indonesia does not yet have a standard that stipulates items included in intangible assets, so there is no obligation for companies listed on the Indonesia Stock Exchange (IDX) to disclose information relating to intellectual capital. The lack of transparency in the disclosure of intellectual capital has a negative impact on users for decision-making. The business world in Indonesia still lacks a competitive advantage that causes low competitiveness. According to the World Competitiveness Report book in 2017, Indonesia's competitiveness ranks 42nd out of 63 countries. This position is still below Singapore which is ranked 3rd, Malaysia is ranked 24th, and Thailand is ranked 27th.

Data concerning disclosure of intellectual capital by Utama & Khafid (2014) at banking companies in Indonesia are stated to be still low, with an average of only 34.92% from the total 56 items of intellectual capital. Priyanti & Wahyudin (2015) who examined the disclosure of intellectual capital in the Banking sector listed

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on the Indonesia Stock Exchange (IDX) found that the disclosure was 30%. Research of Cahya (2013) shows an average disclosure of 34.92% in the Banking sector which is listed on the Indonesia Stock Exchange (IDX). The average disclosure of intellectual capital is 29.6% in manufacturing companies in Indonesia (Yunita, 2012). Based on these data, it can be concluded that the disclosure of intellectual capital in Indonesia is still low.

Previous researchers produced inconsistent results so that a research gap was found. Research conducted by Oktavianti & Wahidahwati (2014), Ousama et al. (2012), Suhardjanto & Wardhani (2010), and Eddine et al. (2015) stated that profitability affects on the disclosure of intellectual capital. However, it is different from Aprisa (2014), Arifah (2012), Leonard & Trisnawati (2015), and Wahyuni & Rasmini (2016) stated that profitability does not affect on the disclosure of intellectual capital. Research conducted by Akhtaruddin and Hossain (2008), Arifah (2012), Reditha & Mayangsari (2016), and Taliyang et al. (2011) revealed that growth is a determinant of intellectual capital disclosure. This result is different from research conducted by Andari (2015), Lina (2013), Priyanti & Wahyudin (2015) and Yau et al. (2009) proved that growth does not affect on the disclosure of intellectual capital.

Research conducted by Muryanti & Subowo (2017), Permatasari (2010), Puasanti (2013), and White et al. (2007) showed that independent commissioners influence on the disclosure of intellectual capital. Unlike the result of the study Arifah (2012), Nugroho (2012), Oktavianti & Wahidahwati (2014), and Zulkarnaen & Mahmud (2013) independent commissioners have no significant effect on the disclosure of intellectual capital. Research gap gives an opportunity for this research to further reveal other variables that can determine the fluctuations of these variables. This encourages the addition of the moderating variable namely firm size. The addition of this moderating variable allegedly helped to moderate or determine the effect of profitability, profit growth, and independent commissioners on the disclosure of intellectual capital.

Larger companies have more complete relationships, more activities, a variety of business units, and the potency for different long-term value creation (Hackstone and Milne, 1996). Large-scale companies indicate that the company is experiencing very rapid development, on the contrary small-scale companies will tend not to make complete disclosures. This is due to small companies experience intense competition in developing their business (Widowati et al, 2016). The larger the firm size, the higher the demand for information disclosure compared to smaller companies, by disclosing more information, the company tries to emphasize that the company has implemented good corporate management principles. The description explains that firm size can be used to moderate the effect of profitability, profit growth, and independent commissioners on the disclosure of intellectual capital.

The purpose of this study is to analyze and describe the effect of profitability, profit growth, and independent commissioners on the disclosure of intellectual

capital and firm size in moderating the effect of profitability, profit growth, and independent commissioners on the disclosure of intellectual capital. The originality of this research is to add firm size variable as the moderating variable for research renewal with a focus on manufacturing companies. The expectation of firm size is able to moderate the influences of profitability, profit growth, and independent commissioners on the disclosure of intellectual capital.

The theory used to explain the disclosure of intellectual capital is agency theory, signaling theory, and legitimacy theory. Agency theory defines the existence of an agency relationship between management of the company (agents) with the owner of interest (principal) (Jensen & Meckling, 1976). Signalling theory explained that by conducting comprehensive disclosures can give a positive signal or a good signal to the market (Spence, 1973). Legitimacy theory states that the company seeks to create harmony between the social values inherent in its activities and the norms of behavior that exist in the social system of society where the company is part of the system (Dowling & Pfeffer, 1975).

The high level of profitability will increase the competitiveness of the company, the high level of profit signifies the company's growth in the future. Corporate activity shows the level of effectiveness that exists in the company, so the existence of a high level of effectiveness shows the opportunity to grow high in the future (Baroroh, 2013). Signal theory is used to prove the influence of profitability on the disclosure of intellectual capital. Companies that have high profitability are considered to have a positive signal, so companies tend to disclose intellectual capital. The disclosure is disclosed through the annual report to meet the adequacy of information needed by external and internal parties.

The results supporting the research were carried out by Eddine et al. (2015), Oktavianti & Wahidahwati (2014), Ousama et al. (2012), and Suhardjanto & Wardhani (2010) which stated that profitability affects on the disclosure of intellectual capital. This is because the greater the corporate financial support, the more information disclosure including intellectual capital disclosure (Suhardjanto & Wardhani, 2010). Based on this explanation, it can be understood that profitability has a positive influence on the disclosure of intellectual capital. Based on the description above, the researcher formulates the hypothesis as follows:

**H<sub>1</sub>: Profitability has a positive effect on the disclosure of intellectual capital**

Companies with good profit growth indicate that companies can add to their wealth. Signaling theory is a theory that is able to explain profit growth so that it shows the importance of corporate information for investment decisions. A positive profit growth will affect the market response that is giving a positive signal. Increasing wealth is a result of good wealth management so that it shows that the company has a competitive advantage. Increasing competitive advantage coupled with increased disclosure of intellectual capital gives a positive signal to interested parties in decision making (Ferreira

& Branco, 2012).

The results of the study that support namely Akhtaruddin and Hossain (2008), Arifah (2012), Reditha & Mayangsari (2016), and Taliyang et al. (2011) revealed that growth is a determinant of intellectual capital disclosure. Based on this explanation, it is understandable that estimated earnings growth has a significant positive effect on the disclosure of intellectual capital. Based on the description above, the researcher formulates the following hypothesis:

**H<sub>2</sub> : Profit growth has a positive effect on the disclosure of intellectual capital**

The independent commissioner in the board can improve the quality of supervisory activities in the company because it is not affiliated with the company as an employee and is independent from the interests of the shareholders (Priyanti & Wahyudin, 2015). Agency theory bases the relationship between shareholders and managers. The principal provides funds and other resources for corporate operations while the agent manages the company that is mandated by the principal where the agent will receive a salary, bonus, and other compensation (Wahyudin & Solikhah, 2017). Independent commissioner is expected to be able to bridge the information asymmetry between owners and managers by encouraging other members of the board of commissioners to conduct better supervision.

The result of the study that supports namely Muryanti & Subowo (2017), Permatasari (2010), Puananti (2013), and White et al. (2007) regarding the disclosure of intellectual capital proves that independent commissioners influence on the disclosure of intellectual capital. When the independent commissioner increases, the control function increases as well which results in more effective control of management, and reduces the agency cost incurred by the principal. Based on this explanation, it can be understood that independent commissioners have a positive effect on the disclosure of intellectual capital. Based on the description above, the researcher formulates the hypothesis as follows:

**H<sub>3</sub> : Independent commissioners has a positive influence on the disclosure of intellectual capital.**

Profitability is the final result of a number of management policies and decisions. Return on Assets (ROA) is used to measure a company's effectiveness in generating profits (Fajarini & Firmansyah, 2012). Jensen & Meckling (1976) revealed that the agency theory of management and corporate owners has a conflict of interest that increases agency costs. Large companies have more activities and more complex relationships as a result of delegating authority. Based on the legitimacy theory, companies must carry out operational activities that are correct and do not harm the environment and society. It is rational if large companies disclose intellectual capital to reduce information gaps and meet

corporate expectations and to comply with applicable norms (Priyanti & Wahyudin, 2015).

Companies with high profitability in large companies have good corporate prospects so that it will increase the disclosure of intellectual capital. According to Kateb (2014) the larger the firm size, the higher the level of intellectual capital information disclosure in the annual report. Based on this explanation, it can be understood that firm size moderates the effect of profitability on the disclosure of intellectual capital. Based on this assumption, the researcher formulates the fourth hypothesis of this study:

**H<sub>4</sub> : Firm size moderates significantly the effect of profitability on the disclosure of intellectual capital.**

Increased profit growth will provide benefits that are very useful for various parties, especially in decision-making. Large companies have better performance and systems in managing assets owned by the company. The ability of large companies has the potency to increase profits so that investors have more trust because they are considered capable of continuing to increase profits and corporate performance. Agency theory states agency costs increase as the proportion of external capital increases (Jensen & Meckling, 1976). Broader disclosure of intellectual capital causes information asymmetry between shareholders and managers can be reduced. Legitimacy theory states that there is a social contract between the company and the community and the surrounding environment. Companies with a high level of intellectual capital tend to express intellectual capital because they cannot legitimize their status through the disclosure of tangible assets into a symbol of the company's success (Setianto & Purwanto, 2014).

Large-scale companies will get the attention from many parties. This encourages companies to expand their disclosure of intellectual capital. Large companies also provide more information disclosure because of the possibility of obtaining profits that can be achieved by the company such as the ease of marketing shares and the ease of obtaining funds from the capital market. Based on this explanation, it can be understood that firm size is able to moderate the influence of earnings growth on the disclosure of intellectual capital. The fifth hypothesis is formulated as follows:

**H<sub>5</sub> : Firm size significantly moderates the effect of earnings growth on the disclosure of intellectual capital.**

Corporate management monitored by independent commissioners can disclose important information in voluntary corporate reports as expected by stakeholders. Based on the agency theory, management (agent) and the owner of the company (principal) tend to have a conflict of interest thus increasing agency costs. The legitimacy theory states the company must carry out operational activities that are correct and do not harm the environment and

society (Dowling & Pfeffer, 1975). Large companies tend to face high agency costs. Companies with large independent commissioners in large companies cause higher demands for information disclosure. Large companies have more complete relationships and more activities. The amount of resources and the existence of information gaps are conditions that require complete disclosure of information including disclosures about intellectual capital (Budiasih, 2015).

The independent commissioner will require the company in order to report corporate information widely so that the information in the financial statements has high quality that is useful for all parties in need. Large companies disclose more information because they try to hint that the company has implemented good corporate management principles. Based on this explanation, it can be understood that large independent commissioners will disclose comprehensive information including information about intellectual capital moderated by firm size. The sixth hypothesis is formulated as follows:

**H<sub>6</sub>: Firm Size Moderates Significantly the Effect of Independent Commissioners on the Disclosure of Intellectual Capital.**

Based on the framework above, the research model can be seen in Figure 1.

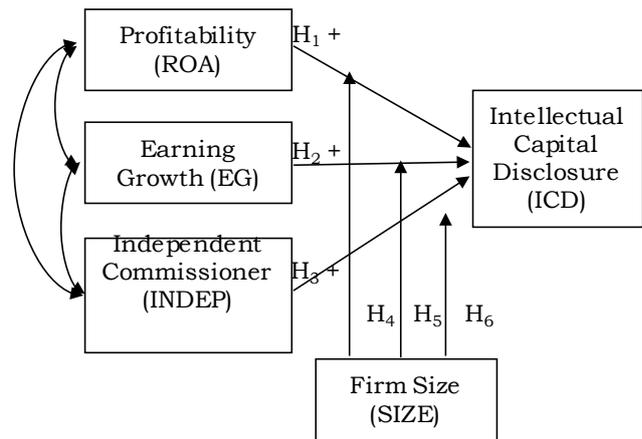


Figure 1. Research Model

**RESEARCH METHOD**

This research was a secondary data type with a type of quantitative research. The population used was all manufacturing companies listed on the Indonesia

Stock Exchange in 2014-2016. Samples were selected using a purposive sampling method and produced 189 units of analysis which were the object of research. The sampling criteria in this study are as Table 1.

Table 1. Criteria of Purposive Sampling

No	Criteria	Beyond Criteria	Included Criteria
1.	Manufacturing companies listed on the Indonesia Stock Exchange in 2014, 2015 and 2016		149
2.	Manufacturing companies that are consistently listed on the IDX during 2014, 2015 and 2016 and have audited and published annual reports	18	131
3.	Manufacturing companies that made profits in 2014, 2015 and 2016	56	75
4.	Manufacturing companies that use rupiah in 2014, 2015 and 2016	12	63
5.	Number of samples used		63
6.	Year of observation		3
7.	Number of units of analysis		189

Source: Secondary data processed, 2018

Table 2. The Operational Definition of Research Variables

No	Variables	Definition	Measurement Indocators	Scale
1.	Intellectual Capital Disclosure (ICD)	The disclosure of intellectual capital items consisting of 81 items divided into 6 categories, namely employee, customer, information & technology, processes, research & development, and strategic statements (Singh & Zahn, 2008)	$ICD = \frac{\sum D \text{ item}}{\sum AD \text{ item}} \times 100\%$	Ratio
2.	Profitability (ROA)	The ability of a company to generate profits (Oktavianti & Wahidahwati, 2014)	$ROA = \frac{\text{Net Profit After Tax}}{\text{Total Asset}}$	Ratio
3.	Earning Growth (EG)	The percentage of corporate profits increase each year which represents the company's performance in general (Priyanti & Wahyudin, 2015)	$EG = \frac{(EAT_{t-t} - EAT_{t-1})}{EAT_{t-1}} \times 100\%$	Ratio
5.	Independent Commissioner (INDEP)	Percentage of number of independent commissioners with the total number of board of commissioners (Murwaningsari, 2014).	$INDEP = \frac{\text{Number of Independent Commissioners}}{\text{Total All Board of Commissioners}}$	Ratio
6.	Firm Size (SIZE)	Share ownership by foreign investors in a company (Priyanti & Wahyudin, 2015)	$SIZE = \ln \text{ Total Asset}$	Ratio

Source: Secondary data processed, 2018

The explanation of the operational definition of each variable used in this study is presented in Table 2. Data collection technique used the checklist item on the company's financial statements and annual reports. The analysis technique used in this study was the moderating regression analysis using the absolute value difference test with the fulfillment of the classical assumption test using an analysis tool namely SPSS Software version 21. The model used in this study can be formulated as follows

$$ICD = \alpha + \beta_1ROA + \beta_2EG + \beta_3INDEP + \beta_4|ROA-SIZE| + \beta_5|EG-SIZE| + \beta_6|INDEP-SIZE| + \epsilon.. \quad (1)$$

**RESULTS AND DISCUSSIONS**

Descriptive statistics provide an overview of data that can be seen from the mean, standard deviation, maximum and minimum values. The results of descriptive statistical analysis can be seen in table 3.

**Table 3.** The Results of Descriptive Statistics Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
ICD	189	0.15	0.59	0.3472	0.10454
ROA	189	0.00	0.43	0.0912	0.08221
EG	189	-0.98	52.73	0.6416	4.34627
INDEP	189	0.20	0.80	0.4000	0.10340
SIZE	189	25.62	33.20	28.4247	1.64261
Valid N (listwise)	189				

Source: Secondary data processed, 2018

The classical assumption test is used to avoid bias because not all data can be processed with regression analysis. The normality test obtained Kolmogorov Smirnov (K-S) value of 0.640 and the asymp.sig (2-tailed) value is 0.807. The asymp.sig (2-tailed) value is greater than 0.05 so it can be said that the normality test is fulfilled. The autocorrelation test uses the Lagrange Multiplier test (LM test) with a significance of res\_2 (lag of residual) of 0.645. A significance value of 0.645 is greater than alpha 5%. This result indicates that the regression model is not subject to autocorrelation problems. Multicollinearity test shows that the tolerance value does not have a value of less than 0.10 and the

VIF value is not more than 10 and the correlation between independent variables is below 0.90 so that there is no multicollinearity between the independent variables in the regression model. Heteroscedasticity test uses the glejser test with a probability of significance above the 5% confidence level. These results can be concluded that the regression model does not contain any heteroscedasticity. Based on the four classical assumption tests, it shows that the regression model is feasible to be used to predict ICD with the variables of profitability, profit growth, independent commissioners and moderating variable, namely firm size.

**Table 4.** The Summary of Hypothesis Testing Results

No	Hypothesis	Regression Coef.	Sig	α	Result
1	H <sub>1</sub> : Profitability has a positive effect on the disclosure of intellectual capital	0.042	0.000	0.05	Accepted
2	H <sub>2</sub> :Earning growth has a positive effect on the disclosure of intellectual capital	-0.036	0.016	0.05	Rejected
3	H <sub>3</sub> : Independent commissioners have a positive effect on the disclosure of intellectual capital	-0.025	0.003	0.05	Rejected
4	H <sub>4</sub> : Firm size significantly moderates the effect of profitability on the disclosure of intellectual capital	-0.027	0.026	0.05	Accepted
5	H <sub>5</sub> : Firm size significantly moderates the effect of earnings growth on the disclosure of intellectual capital	0.031	0.032	0.05	Accepted
6	H <sub>6</sub> :Firm size significantly moderates the influence of independent commissioners on the disclosure of intellectual capital	0.020	0.077	0.05	Rejected

Source: Secondary data processed, 2018

The adjusted R square value is 0.132. This means that 13.2% of the variation in intellectual capital disclosure can be explained by the variables of profitability, profit growth, independent commissioners and firm size as moderating variable. The remaining 86.8% is explained by other variables outside the model. The summary hypothesis can be seen in table 4.

**The Effect of Profitability on the Disclosure of Intellectual Capital**

The result of hypothesis testing indicates that the variable of profitability has a significant positive effect on the disclosure of intellectual capital (H1 is accepted). This research is in line with signal

theory which explains that companies that have good performance will use the information they have to give a positive signal to the market (Spence, 1973). Companies that have high profitability are considered to have a positive signal and can show that profitability is a result of capital investment so that companies tend to do information disclosure as a whole to distinguish with other companies that are less profitable.

The company's ability to generate profits in operating activities is the main focus in evaluating the company's performance, profit is an indicator of the company's ability to fulfil obligations to creditors and investors, and is a part of the process of creating corporate value related to corporate prospects in the future (Oktavianti & Wahidahwati, 2014). Companies with good and stable profitability face lower risks compared to companies that are less profitable. This will be an added value for companies among stakeholders, especially investors in making decisions to invest in the company (Ferreira & Branco, 2012). The results of this study are in line with the research conducted by Eddine et al. (2015), Oktavianti & Wahidahwati (2014), Ousama et al. (2012), and Suhardjanto & Wardhani (2010) which states that profitability has a positive effect on the disclosure of intellectual capital.

### **The Effect of Earnings Growth on the Disclosure of Intellectual Capital**

The result of the research shows that earnings growth negatively affects on the disclosure of intellectual capital (H2 is rejected). This study is not in line with the signalling theory that is unable to explain positive earnings growth towards the disclosure of intellectual capital. The reason underlying the rejection is because there is a precautionary action against competitors. This is allegedly in line with porter theory, competition between competitors in the same industry becomes the central force of competition. The higher the level of competition between companies, the higher the profitability of the industry, but the lower the profit that the company can achieve in the industry (Porter, 1979).

Earnings growth that increases from year to year will indeed create value for the company and provide a positive signal to the market but on the other hand this will signal to competitors about the success or competitive advantage of the company (Purnomosidhi, 2005). To maintain this success, the company will continue to try in reducing the disclosure of intellectual capital in its annual report as an effort to prevent signal to other parties about hidden opportunities that allow other parties to know, consequently the company's management does not need to reveal too much intellectual capital information. This research is in line with research of Andari (2015), Lina (2013), Priyanti & Wahyudin (2015) and Yau et al. (2009) prove that corporate earningst growth has a negative effect on disclosure of intellectual capital.

### **The Effect of Independent Commissioners on the Disclosure of Intellectual Capital**

The result of the research shows that independent commissioners have a significant negative effect on

the disclosure of intellectual capital (H3 is rejected). This research is contrary to agency theory, because the existence of independent commissioners should support the responsibility principle to disclose intellectual capital in the implementation of corporate governance. The result of the study proved that the more independent commissioners, the company will reveal low intellectual capital. Empirical data prove that the mean value of independent commissioners is 40% with an average ICD value of 34.72%, in other words the existence of independent commissioners has not been able to motivate companies to disclose their intellectual capital more broadly. This is because high independent commissioner does not monitor the company effectively so that the board of commissioners' independence is lacking and shareholders controls are still dominant.

Independent commissioners are appointed by the board of commissioners of the company, where independent commissioners play a lesser role in the supervisory and monitoring function due to lack of communication and coordination of the board of commissioners. The existence of many independent commissioners will encourage companies to reduce the disclosure of intellectual capital. The results of this study are in line with Muksodah et al. (2016), Oktavianti & Wahidahwati (2014), Susilowati et al. (2014) and Suwarti et al. (2016) which proves that independent commissioners have a significant negative effect on the disclosure of intellectual capital.

### **Firm Size Moderates the Effect of Profitability on the Disclosure of Intellectual Capital**

The result of hypothesis testing indicates that firm size significantly moderates the profitability on the disclosure of intellectual capital (H4 is accepted). Companies that have high profitability are considered to have a positive signal, so companies tend to do a full disclosure of information including intellectual capital disclosure. However, high profitability does not necessarily increase the disclosure of intellectual capital. This is due to in the influence of profitability on the disclosure of intellectual capital there is another variable that influence, namely firm size as a moderating variable. The result states that a high firm size will weaken the effect of profitability on the disclosure of intellectual capital..

Agency theories of different interests lead to information asymmetry between corporate owners and managers (Jensen & Meckling, 1976). Legitimacy theory Ousama et al. (2012) stated that large-scale companies become more visible and are monitored by the public and the government. Companies that have high profitability in large-scale companies will reveal less intellectual capital. Profitability in small companies has more role in increasing the disclosure of intellectual capital. The reason that states firm size is able to be a moderating variable between profitability and the disclosure of intellectual capital is large companies are entities that are mostly highlighted by the market and public in general. Large-scale companies have a variety of activities, the number of these activities leads to increased costs.

Corporate managers feel that the disclosure of intellectual capital is not necessary because it will lead to higher costs (Priyanti & Wahyudin, 2015). Hypothesis testing empirically explains that the effect of profitability on the disclosure of intellectual capital which is moderated by firm size is proven. Large companies will weaken the influence of profitability on the disclosure of intellectual capital.

### **Firm Size Moderates the Effect of Profit Growth on the Disclosure of Intellectual Capital**

The result of hypothesis testing indicates that firm size significantly moderates the effect of earnings growth on the disclosure of intellectual capital (H5 is accepted). Firm size strengthens the effect of earnings growth on the disclosure of intellectual capital. Large companies have complex relationships that occurs conflict between corporate owners and managers, which increases agency costs. In line with agency theory, agency conflict can be minimized by reporting financial and non-financial information aimed at shareholders as management accountability (Stephani & Yuyetta, 2011). Based on this, in order to reduce agency costs, the company voluntarily discloses information in the company, including the disclosure of intellectual capital.

Legitimacy theory states that companies must carry out operational activities that are correct and do not harm the environment and society. This is the reason that large companies tend to face higher agency costs. Large companies have an obligation to meet the norms and expectations of the community around the company (Priyanti & Wahyudin, 2015). Companies that have high earnings growth in large companies become more visible, supervised and monitored by the public and the government so as to express their intellectual capital. These findings prove empirically that firm size is a moderating variable used to moderate the effect of earnings growth on the disclosure of intellectual capital.

### **Firm Size Moderates the Effect of Independent Commissioners on Disclosure of Intellectual Capital**

The result of the study of firm size variable does not significantly moderate the influence of independent commissioners on the disclosure of intellectual capital (H6 is rejected). The result of this study directly finds that independent commissioners have a negative effect on the disclosure of intellectual capital. The presence of firm size as a moderating variable does not affect the relationship of independent commissioners to the disclosure of intellectual capital. This can be interpreted that high independent commissioners in a company that have an impact on high disclosure are not influenced by firm size. This research is not in line with the theoretical framework and the development of hypotheses. This is presumably in line with stewardship theory which assumes that humans have good character so that managers will behave according to common interests, when the interests are opposite then the steward (manager) tries to cooperate rather than oppose it (Donaldson & Davis, 1991). The large company does not need to disclo-

se intellectual capital and the existence of independent commissioners as an independent party, does not side with the company, and as a supervisor of the board of directors becomes ineffective.

Large companies have a variety of activities also underlie the rejection of the hypothesis. The large number of these activities leads to increased costs. Besides firm size, there are other factors that are used to increase intellectual capital, in the form of internal factors and external factors. Internal factor is in the form of inefficiency of management in managing the company while external factor is in the form of the entry of new competitors in the industry that can threaten the company's market (Endah & Wahyudin, 2017). Hypothesis testing empirically explains that the influence of independent commissioners on the disclosure of intellectual capital that is moderated by firm size is not proven.

## **CONCLUSIONS**

The conclusions of this study are that profitability has a significant positive effect on the disclosure of intellectual capital. Earnings growth and independent commissioners have a significant effect but with a negative relationship direction. Firm size significantly moderates the effect of profitability and earnings growth on the disclosure of intellectual capital, but does not moderate the influence of independent commissioners on the disclosure of intellectual capital. Suggestions for further research are the use of ICD items that better adjust the conditions in Indonesia due to the use of ICD items of Singh & Zahn (2008) in accordance with foreign conditions and use other techniques such as questionnaires so that the results are more accurate because the use of checklist items is subjective.

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