Intellectual Capital Disclosure: Empirical Evidence of Indonesian Banking Companies

by Kiswanto Kiswanto

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Intellectual Capital Disclosure: Empirical Evidence of Indonesian Banking Companies

Soelistijono BOEDI Accounting Department, STIE Indonesia Banjarmasin, Indonesia soelis@stiei-kayutangi-bjm.ac.id

> Nazief NIRWANTO Accoounting Department, Faculty of Economic Universitas Merdeka Malang, Indonesia naziefnirwanto@mail.unmer.ac.id

> Edy SUBIYANTORO Accoounting Department, Faculty of Economic Universitas Merdeka Malang, Indonesia edi.subiyantoro@unmer.ac.id

KISWANTO Accounting Department, Faculty of Economic Universitas Negeri Semarang, Indonesia kiswanto@mail.unnes.ac.id

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Abstract:

This study aims to reveal whether intellectual capital performance is able to mediate the effect of profitability, leverage, company size, and age of the company on intellectual capital disclosure. This study used a sample of banking companies in Indonesia. Furthermore, research data was processed by using a path analysis approach through the WarpPLS tool. Based on the data analysis, it was found that the profitability and age of the company directly and indirectly affected the intellectual capital performance and intellectual capital disclosure. This means that the intellectual capital performance can increase the effect of profitability and age of the company on intellectual capital disclosure. On the other hand, leverage and company size were not able to show an effect on intellectual capital performance and intellectual capital performance was not able to be a mediating variable between leverage and company size on intellectual capital disclosure. So the results of this study suggest banking companies to optimize intellectual capital information in annual financial statements and other financial statements so that the public as a reader can make it as material in decision making.

Keywords: intellectual capital; performance; disclosure.

JEL classification: 034; P27; L25.

Introduction

Intellectual capital disclosure is disclosure made by the company and is voluntary to complete the information needed by interested parties Abeysekera (2007). Guthrie and Petty (2000) revealed that (1) more intellectual capital disclosure is presented separately and not presented in numbers or quantitative, (2) intellectual capital disclosure is mostly done by companies but there is no specific pattern in the report on intellectual capital disclosure, (3) Reporting and intellectual capital disclosure are still incomplete, and (4) The entire company emphasizes that intellectual capital is very important for success in facing competition in the future.

Most research on intellectual capital disclosure is carried out by referring to the annual report. Some researchers argue that the company's annual report is the most important means of communication used by companies to convey information to various stakeholders. The document is a mandatory document, which must be reported every year by all incorporated companies, aims to make it easier for users to make a comparative analysis.

In addition, in countries with low intellectual capital disclosure, the annual report is still the most important document used by investors to assess the company's prospects (Souissi and Khlif 2012).

In Indonesia, PSAK 19 states that intangible assets are recognized if:

- it is probable that the company will obtain future economic benefits from these assets;
- the cost of the asset can be measured reliably.

This requirement is difficult to fulfill, so that intellectual capital cannot be reported in the financial statements. This condition makes it difficult for potential investors to be able to do an analysis and assessment of the company's future prospects based on the potential intellectual capital owned (Ulum, Ghozali and Purwanto 2014).

The limited provisions of accounting standards regarding intellectual capital (IC) encourage experts to create IC measurement and reporting models Ulum *et al.* (2014). One very popular model in various countries is the Value Added Intellectual Coefficient (VAICtm) developed Pulic (1998). The assumption is that if a company has a good IC, and is well managed, then it will certainly have an impact. That impact is then measured by Pulic (1998) with VAICtm, so that VAICtm is more accurately referred to as a measure of intellectual capital performance (ICP) (Ulum *et al.* 2014).

Previous research on intellectual capital performance in banks uses the VAIC^{Im} method adopted by Pulic (1998) as a measurement of the intellectual capital performance and its (EI-Bannany 2012). There is strong evidence that VAIC^{Im}, as a measure of intellectual capital performance, has certain deficiencies that limit its use and affect the validity of the results. Chang (2007) argues that VAIC^{Im} is an incomplete measure of intellectual capital performance because it ignores elements such as research and development (R&D) costs and intellectual property in its structural capital components. Chu, Chan, Wu, and WY (2011), Ståhle, Ståhle and Aho (2011) argue that if the results of the VAIC^{Im} measure are negative as a result of having a negative book value (for example) of negative equity or operating profit in the calculated measurement, then misleading analysis will happen.

Other intellectual capital measurement alternatives are limited to financial indicators and unique nonfinancial perspectives that only complement the individual profile of the company. Especially non financial indicators are not available other companies. As a result, the ability to apply measurements consistently with large and diversified samples is limited (Firer and Williams 2003). In line with this, Mouritsen (2004) states that traditional financial statements do not include information that is relevant for users of financial statements to understand how the resources they invest can create value for users in the future. In theory, companies that have good intellectual capital performance will certainly tend to inform the IC's 'wealth' in the annual report. In other words, in addition to size, age, profitability, and leverage, ICP is one of the drivers in the practice of voluntary disclosure of IC information through company annual reports (Ulum *et al.* 2014).

Profitability is the result of management performance in managing the company in a certain period. Profitability measures can be used in various ways such as: operating income, net income, the rate of return on asset, and the rate of return on equity. Profitability ratios indicate success in generating company profits in an accounting period. Horne and Wachowicz (2008) say that profitability ratios consist of two types, namely, ratios that show profitability in relation to sales (gross profit margins and net profit margins), and profitability in relation to investments, namely return on assets (ROA) and return on equity (ROE).

Kateb (2014) found that profitability was not a significant determinant of ICD. This contradicts the findings of García-Meca, Parra, Larrán, and Martínez (2005) and Kang and Gray (2011) because the results of the study found a positive and significant relationship between the level of ICD, return on equity and price to book in Spain. Furthermore, Kateb (2014) showed a negative and significant relationship between leverage and the ICD level. This result is justified because corporate debt can replace the role of voluntary disclosure in reducing agency costs arising from contractual relationships between managers and shareholders. Indeed, payment of debt costs at fixed intervals reduces the value of cash flow.

In the service companies, especially banks that are included in the group of large company size, efforts to find, develop, explore, maintain and disclose superior resources will be maximized. The company has the availability of capital owned by large companies in providing awards in the form of incentives or bonuses to improve the performance of company resources. Abdolmohammadi (2005) stated that there is a positive relationship between IC disclosure and market capitalization. Whereas in banking companies included in the group of medium and small companies, the utilization of the resources they have is still small. That is because the service company has limited capital in an effort to utilize and disclose intellectual capital.

Cooke (1992) stated that company size is used as an important factor in explaining the different levels of disclosure in a number of different countries. Cooke (1989) found that company size in Sweden was very significant explaining differences in the level of company disclosure. Kateb (2014) says that several other studies have suggested a positive relationship between the size and level of voluntary ICD in different contexts Kang and Gray,

2011) and Williams (2001) found that size did not have a significant relationship with ICD levels. Haniffa and Cooke (2005) confirm that younger companies try to increase the level of communication to reduce skepticism and strengthen investor confidence. Previous research, the results showed that the effect of company age on ICD was inconsistent. The research of Li, Pike, and Haniffa (2008), Rimmel (2009), and Abdul Rashid, Kamil Ibrahim, Othman, and Fong See (2012) found a negative association relationship but research of White, Lee, and Tower (2007), apparently found a positive relationship. Nikolaj, Nielsen, Gormsen, and Mouritsen (2005) assert that company age does not have a significant relationship with the level of intellectual capital disclosure.

Zheng, Liu, and George (2010) argue that the positive impact of a company's ability to innovate increases with age. Wahab, Abdullah, Uli, and Rose (2010) argue that the age of joint ventures has a positive impact on the level of technology transfer, which in turn will have a positive influence on company performance. Gopalakrishnan and Bierly (2006) argue that company age affected the success of a company's knowledge strategy. El-Bannany (2012) argues that the performance of older companies is better than the strategy of younger companies, arguing that staff experience, goodwill, brand and economies of scale, which in turn can be transformed into competitive advantage and reflected in the strength component of intellectual capital performance which is indicated by factors of internal capital, external capital and human capital.

In Indonesia, IC research in banking for example has been conducted by (Ulum 2009, Ulum *et al.* 2014, Widarjo 2011, Santoso 2012). The last two studies examine the effect of IC on company performance, while the first only measures the intellectual capital performance based on the original VAIC^{Im} formula. Research by Ferreira, Branco, and Moreira (2012) showed that the types of intellectual information disclosed by many companies in annual reports relate to management processes, business collaboration, brands, and worker profiles. Other results indicate that auditor size and type are significant in explaining intellectual capital disclosure, whereas leverage, profitability, ownership concentration, and the level of intellectual capital are not significant for intellectual capital disclosure. While Ulum *et al.* (2014) found that age and IC performance (VAICtm) had a negative effect on intellectual capital disclosure.

Research conducted by Nikolaj *et al.* (2005), found that managerial ownership factors have a significant effect on intellectual capital disclosure but company size and firm age do not affect intellectual capital disclosure. Meanwhile, in the research of Brüggen, Vergauwen, and Dao (2009), company size and type of industry have a positive effect on intellectual capital disclosure. Abdolmohammadi (2005) provides evidence about the relationship between industry types and intellectual capital disclosure in annual reports of companies in America. White *et al.* (2005) found a positive effect on company size on intellectual capital disclosure. The inconsistency of some of the results of the study is thought to be a trigger for various degrees of disclosure of the company's intellectual capital. Therefore, further research needs to be done to obtain consistency findings when applied with different environmental conditions.

1. Literature review

1.1. Stakeholder theory

Stakeholder theory states that organizations are expected to carry out important activities according to stakeholders and report these activities to stakeholders. This theory states that all stakeholders have the right to obtain information about organizational activities that can influence decision making, even when stakeholders choose not to use that information, and when stakeholders cannot directly play their role in the survival of the organization Deegan (2004) This theory states that the organization will choose to voluntarily disclose more information about environmental, social and intellectual performance and at its mandatory request, to meet the actual or desired expectations of stakeholders.

Stakeholder theory can be tested in various ways, namely using content analysis of corporate financial statements (Guthrie *et al.* 2006). According to Guthrie *et al.* 2006, through financial statements is an efficient way for organizations to communicate with stakeholders related to certain strategic control of the organization. Content analysis regarding the disclosure of intellectual capital can be an important measure of stakeholder communication with the organization. Does the company respond to stakeholder expectations, both actual and stakeholder expectations, by offering IC accounts that are voluntarily disclosed? This question has received attention, but deeper studies are needed to produce conclusive opinions (Guthrie *et al.* 2006).

In the context of explaining the relationship between VAICtm and the company's financial performance, stakeholder theory must be viewed from both the ethical, moral and managerial fields. Ethically, all stakeholders should have the right to be treated fairly by the organization, so managers must manage the organization for the benefit of all stakeholders. When managers are able to manage the organization to its full potential, especially in the effort to create value for the company, it means that managers have fulfilled the ethical aspects of this theory.

Value creation in this context is to utilize all the potential of the company, both employees (human capital), physical assets (physical capital), and structural capital. Good management of all this potential will create value added for the company which can then drive the company's financial performance for the benefit of stakeholders.

The managerial field of stakeholder theory believes that the power of stakeholders to influence corporate management must be seen as a function of the level of stakeholder control over the resources needed by the organization (Watts and Zimmerman 1986). When the stakeholders try to control the organization's resources, then the orientation is to improve the welfare of stakeholders. Welfare is realized by the higher return generated by the organization.

Stakeholders have an interest in influencing management in the process of utilizing all the potential possessed by the organization because it is only by good and maximum management of all this potential that the organization will be able to create value added. This value added is then to drive the company's financial performance which is the orientation of the stakeholders in intervening in management.

1.2. Legitimacy theory

The theory of legitimacy is closely related to stakeholder theory. The legitimacy theory states that organizations continually look for ways to guarantee operations within the limits and norms that apply in society (Deegan 2004). From the perspective of legitimacy theory, the company will voluntarily report its activities if management considers that the activity is indeed expected by the community. The legitimacy theory lies in the conclusion that there is a 'social contract' between the company and the communities around which the company operates. The social contract in question is a way to explain most of the community's expectations about how the company should carry out its operations. Of course, contracts or social expectations always change over time, thus demanding companies to be more responsive to changes in the social environment in which they operate.

Lindblom (1994) states that if an organization considers that its legitimacy is being questioned, then the organization can adopt some appropriate strategies to maintain its legitimacy. Lindblom (1994) First, the organization can find ways to educate and inform stakeholders of changes in the organization's performance and activities. Second, organizations can find ways to change stakeholder perceptions, without changing the actual behavior of the organization. Third, organizations can look for ways to manipulate stakeholder perceptions by redirecting attention to certain issues to other related issues and directing interest in the emotional symbols of Guthrie *et al.* (2006).

The legitimacy theory positions that organizations must continuously show that they are operating in a manner consistent with social values (Guthrie and Parker 1989), this can often be achieved through disclosure in company reports. Organizations can use disclosure to demonstrate management's attention to social values, or redirect community attention to the existence of negative effects of organizational activity (Lindblom 1994). Previous research assessed the voluntary disclosure of annual reports and states that reporting environmental and social information is a method that organizations can use to respond to public pressure (Guthrie *et al.* 2006).

Furthermore, Guthrie *et al.* (2006) states that the best tool for measuring intellectual capital reporting is to use content analysis. Where, the legitimacy theory is closer to the reporting of intellectual capital and relates to the use of content analysis methods as a measure of the reporting. Companies seem to be more inclined to report intellectual capital, if the company has a special interest to do so, this might happen when the company finds that the company is not able to legitimize its status based on tangible assets which are generally known as symbols of company success.

1.3. Intellectual capital disclosure

Disclosure of company activities is useful for users of financial statements to obtain complete information and a picture of economic events that have a positive or negative effect on the results of the company's operations in a reporting period. Disclosures in the financial statements divided into two, namely:

- Mandatory disclosure. Mandatory disclosure is the disclosure of information required by applicable
 regulations and has been established by a regulatory agency or an authorized agency. In Indonesia,
 the institution that becomes the mandatory disclosure authority is Bapepam (Capital Market Supervisory
 Agency) is now changed to OJK (Financial Services Authority).
- Voluntary disclosure. Voluntary disclosure is the disclosure of information in excess of what has been
 required by the competent authority. Voluntary disclosure is one of the strategies undertaken by
 company management to attract the attention of investors to invest funds in the company, where
 managers will disclose information that is good news and is in great demand by investors.

Intellectual capital is generally identified as the difference between the market value of the company (the company's business) and the book value of the company's assets or from its financial capital, this is based on an observation that since the late 1980s, the market value of most businesses is knowledge-based businesses and has become greater than the value reported in the financial statements based on calculations made by accountants Roslender (2004). Researcher Edvinsson and Malone (1997) identifies intellectual capital as the hidden value of business. The term of "hidden" IC here is used for two related things. First, intellectual capital especially intellectual assets or knowledge assets are not generally visible like traditional assets and second, such assets are usually not seen in financial statements.

Bontis, Janošević, and Dženopoljac (2015) said the value of the company is obtained from the efforts that have been made to estimate the value of knowledge; it is assumed that the increase and use of better knowledge will cause a beneficial effect on company performance. In connection with these assumptions, the intangible and dynamic character of knowledge and experts' agreement gaps on the definition of knowledge cause a major obstacle (Boekestein 2006. Knowledge categories can be divided into three categories, namely employee-related knowledge (human capital), customer-related knowledge (customer or relational capital) and company-related knowledge (structural or organizational capital). These three categories form an Intellectual Capital for the company (Boekestein 2006).

Intellectual Capital is often defined as knowledge resources in the form of employees, customers, processes or technology that companies can use in the process of creating value for the company (Nikolaj *et al.* 2005). According to Guthrie and Petty (2000), they suggested that intellectual assets can be considered as IC. Opinion Abeysekera (2007) said that most definitions of IC put forward by experts view that the benefits of IC do not need to be immediately identified, but tend to be accrued through long-term periods.

In PSAK No. 19 of 2009 concerning intangible assets, it has been stated that IC is an intangible asset category. However, some intangible assets such as goodwill, that is, trademarks produced within a company may not be recognized as intangible assets. Therefore, the disclosure of information about IC is voluntary, because PSAK No. 19 has not yet regulated IC in terms of its identification or measurement. Criteria to meet the definition of intangible assets can be identified, among others, the control of resources and the existence of future economic benefits.

The definition of Intellectual Capital Disclosure itself has been debated vigorously among experts in various literatures. The financial statements are used for general purposes (General Purpose Financial Reporting) as a basis, it can be said that Intellectual Capital Disclosures can be viewed as a report intended to meet the information needs of users, it is prepared for reporting so that it can meet all the needs of stakeholders (Abeysekera 2007).

Furthermore, Guthrie and Petty (2000) did not convey the definition of Intellectual Capital Disclosure explicitly, but they alluded to the fact that currently the ICD provides greater benefits than in the past. The economic sector that has the greatest benefit, especially, has the characteristics of a dominant industry which then undergoes changes. The manufacturing sector is changing to the high technology, financial and insurance services segments.

Mouritsen, Larsen and Bukh (2001) states that the Intellectual capital disclosure in a financial statement as a way to express that the report describes the company's activities that are credible, integrated (cohesive) and "true and fair". Mouritsen *et al.* (2001) refer to the IC report which has many of the Intellectual Capital Disclosure literature based on textual analysis of financial statements. The company currently has very little reporting on Intellectual Capital separately. This is because intellectual capital disclosures are carried out in different ways, likely to lead to cohesive reports, so there is no need to provide credible disclosures about company activities. Mouritsen *et al.* (2001) states that Intellectual Capital Disclosures are communicated to internal and external stakeholders by combining numerical, visual and narrative reports that aim to create value. Nikolaj *et al.* (2005) also confirms this, that IC reports in practice contain various financial and non-financial informations such as employee turnover, job satisfaction, in-service training, customer satisfaction, accuracy of supply, *etc.*

1.4. Intellectual capital performance

Moeheriono (2012, 95) defines performance is a picture of the level of achievement of the implementation of a program of activities in realizing the goals, objectives, vision and mission of the organization as outlined through the strategic planning of an organization. Performance can be known and measured if an individual or group of employees already has criteria or standards of success that have been set by the organization. According to Armstrong (2004) performance is the result of work that has a strong relationship with the strategic objectives of the organization, customer satisfaction and contribute to the economy.

The limited provisions of accounting standards regarding Intellectual capital encourage experts to create models for measuring and reporting Intellectual capital. One of very popular model in various countries is the Value

Added Intellectual Coefficient (VAIC[™]) developed by Pulic (1998). The Intellectual Capital Performance Method (VAIC[™]) does not measure Intellectual Capital, but measures the impact of Intellectual Capital Management (Ulum *et al.* 2008). The assumption is that if a company has good Intellectual capital and is well managed, there will be an impact. That impact is then measured by Pulic with VAIC[™], so this performance model is referred to as the Intellectual Capital Performance measure which Mavridis (2004), Barathi (2007) dan Ulum (2009) call the business performance indicator (BFI).

Pulic (1998) Defines the intellectual capital performance (VAIC[™]) is a logical continuation of the measure of company success, which provides more detailed information about a company's situation. The intellectual capital performance illustrates the company's ability to manage and maximize its IC (Ulum 2015) intellectual capital performance is a term often used in the topic of measuring intellectual capital performance. Some methods to measure the intellectual capital performance include VAIC, MVAIC, Extended VAIC Plus and iB-VAIC.

VAICtm is designed to present information about value creation efficiency of tangible assets and intangible assets of a company that stems from the company's ability to create value added (VA). Value added is the most objective indicator to assess business success and shows the company's ability to create value. VA is calculated based on the difference between input and output (Pulic 1999).

Pew Tan *et al.* (2007) States that output (OUT) represents revenue and covers all products and services sold in the market, while input (IN) covers all expenses used in obtaining revenue. According to Pew Tan *et al.* (2007), what is most important for this model is that the employee burden is not included in the IN. Because of the active role of employees in the value creation process, intellectual potential is not counted as a cost and is not included in the IN component (Pulic 1999). Therefore, a key aspect in the Pulic model is treating labor as a value creation entity (Pew Tan *et al.* 2007).

VA is determined by the efficiency of Human Capital (HC) and Structural Capital (SC). Another relationship from VA is capital employed (CE), which in this case is labeled with VACA. VACA is an indicator for VA created by a unit of physical capital. Pulic (1998) assumes that if 1 unit of CE generates a greater return than another company, it means that the company is better at utilizing its CE. Thus, better use of CE is part of the company's IC (Pew Tan et al. 2007).

Futhermore, Value Added Human Capital' (VAHU) shows how much VA can be generated with funds spent on labor. The relationship between VA and HC shows HC's ability to create corporate value (Pew Tan *et al.* 2007). Consistent with the views of other IC authors, Pulic (1998) argues that total salary and wage costs are indicators of company HC.

The next relationship is "structural capital coefficient" (STVA) as a form of structural capital (SC) contribution in creating corporate value. STVA measures the amount of SC needed to produce 1 VA rupiah and is an indication of the success of SC in creating corporate value (Pew Tan *et al.* 2007). SC is not an independent measure like HC, it depends on value creation (Pulic 1999). That is, according to Pulic (1999), the greater the contribution of HC in the creation of corporate value, the smaller the contribution of SC in terms of the creation of the company's value Pulic (1999). Furthermore, Pulic (1999) stated that SC is VA minus HC, which has been verified through empirical research in the traditional industrial sector (Pulic 2000). The last ratio is to calculate the company's intellectual ability by adding up what was previously calculated. Therefore, the sum is formulated in a new, more unique indicator, the VAIC (Pew Tan *et al.* 2007).

The advantage of the VAIC method is that the data needed is relatively easy to obtain from various sources and types of companies. Data for calculating these various ratios are standard financial figures available in the company's financial statements. Other IC measurement alternatives are limited to producing unique financial and non-financial indicators that are only to complete the profile of an individual company. These indicators are non-financial indicators that are not available or not recorded in other companies (Pew Tan *et al.* 2007). Consequently, the ability to consistently implement alternative IC measurements in large and diversified samples is limited (Firer and Williams 2003).

1.5. Hypothesis development

1.5.1. Effect of profitability, leverage, company size and company age on the intellectual capital performance

The Bank's business services are always built on the basis of people's trust in securing their assets. Banks that function as financial institutions will certainly maintain their activities in accordance with the rules made by the Supervisory Bank (BI). Banks are required to maintain the trust required to carry out their activities in accordance with professional, reliable, and commercial. The results of these activities are made periodic financial statements in accordance with generally accepted standards, with the report showing the performance of a bank. Banks that perform well, of course, periodic reports show positive results.

The better the performance, the public trust in the bank will certainly increase. Moh-Saleh *et al.* (2009) examined in Malaysia in 2005-2007 also showed that profitability affected the intellectual capital performance while leverage as a control variable did not affect the intellectual capital performance. EI-Bannany (2012) who examined the profitability of banks in the United Arab Emirates (UAE) showed that profitability had no effect on intellectual capital performance, while the size and age variables of the company showed a significant effect on the intellectual capital performance. Likewise, EI-Bannany (2015) findings with banking research in Egypt showed a significant positive relationship between company size and intellectual capital performance.

Based on the description above, the hypothesis in this study was formulated as follows:

H1: Profitability, leverage, company size and company age significantly affect the intellectual capital performance.

1.5.2. Effect of profitability, leverage, company size and company age on intellectual capital disclosures

The main role of bank managers is to be able to provide income and prosperity for bank shareholders. The prosperity of the bank's shareholders is obtained if the bank's activities increasingly show a positive trend in profitability, which is the bank's professional performance. To convince shareholders and potential investors need an accurate strategy. One strategy in the era of globalization is to provide information that is voluntary to the public. As Haniffa and Cooke (2005) say that the higher the level of profitability the more voluntary information will be disclosed to the public. Because the greater the company's financial support, the more disclosure of information including intellectual capital disclosure. Profitability can be said to have a positive influence on intellectual capital disclosure.

Banks in running their business are very dependent on the public who entrust funds in the form of shares, bonds, current accounts, deposits and savings. These funds are for banks to represent debt (leverage) to the public, both short-term debt and long-term debt.

The size of the company and the age of the company become a barometer of the success of a bank in the face of intense competition in the era of advanced technology. The size of the bank and the age of the company are among the variables that are often used to explain the intellectual capital disclosure by banks in annual reports. The greater the company size and the company age, the higher the information disclosure. By expressing more intellectual capital, banks try to provide more value-added information (value added). With this information disclosure, it is expected that shareholders, investors, and potential bank investors have a high level of security towards the funds deposited.

The results of research conducted by several researchers found a positive effect between profitability and the extent of intellectual capital disclosure of (García-Meca and Martínez 2005), (Kang and Gray 2011). While the results of research by (Ferreira *et al.* 2012, Kateb 2014, Ulum *et al.* 2014) show the results that profitability has no effect on intellectual capital disclosure. The results of research conducted by several researchers Ferreira *et al.* (2012), Kateb (2014), Ulum *et al.* (2014) show the results that leverage has no effect on intellectual capital disclosure.

The results of research conducted by several researchers found a positive effect between company size on the intellectual capital disclosure El-Bannany (2012), Ferreira *et al.* (2012), Kateb (2014), Li *et al.* (2008). While the results of (García-Meca and Martínez 2005, Kang and Gray 2011, Ulum *et al.* 2014) show the results that company size has no effect on intellectual capital disclosure.

The results of research conducted by several researchers found a positive effect between company age on the intellectual capital disclosure as EI-Bannany (2012), Ulum *et al.* (2014); while the research results of García-Meca *et al.* (2005), Nikolaj *et al.* (2005) and White *et al.* (2007) show the results that the age of the company does not affect the intellectual capital disclosure.

Based on the discussion above, the second hypothesis (H2) is:

H2: Profitability, leverage, company size and company age significantly affect intellectual capital disclosure.

1.5.3. Effect of intellectual capital performance on intellectual capital disclosure

The rapid technological change in the factors of production underlies business in the new economy, it is very important to know whether companies have also revised the practice of disclosure of reports in response to these changes. This is also in line with the demands of the users of accounting information so that companies disclose more information about IC (Williams 2001).

Mouritsen (2004) states that traditional financial statements do not include information that is relevant for users of financial statements to understand how the resources they invest can create value for the company in the future. In theory, companies that have good IC performance certainly have a tendency to inform the IC's "wealth"

in the annual report. In other words, the intellectual capital performance is one of the triggers in IC voluntary disclosure practices through company annual reports.

So far, not many studies have directly tested the effect of intellectual capital performance on intellectual capital disclosure. Williams (2001) dan Ulum (2015) shows that intellectual capital performance is negatively related to company IC disclosure. Both of these results contradict the assumption that companies will tend to give signals about the positive things they have, so that the performance of high intellectual capital should be a very good signal for the company. Based on the discussion above, the third hypothesis (H3) is:

H3: Intellectual Capital Performance significantly affects the Intellectual capital disclosure.

1.5.4. Effect of profitability, leverage, company size and company age on intellectual capital disclosure through intellectual capital performance

Intellectual capital disclosure and intellectual capital performance are closely related to the profitability of a bank. When banks in their activities obtain good intellectual capital performance, it will increase the intellectual capital disclosure as a voluntary value-added report. It means that the bank operates in accordance with the objectives, vision and mission that have been made before. A good intellectual capital performance will improve the reputation, trust and image of the bank in the public view. Banks that have good intellectual capital performance will certainly more to inform the 'wealth' through the company's intellectual capital in the annual report. In other words, profitability, leverage, company size and company age and the intellectual capital performance is one of the factors in the practice of voluntary intellectual capital disclosure information through the company's annual report.

Based on the discussion above, the fourth hypothesis (H4) is:

H4: Profitability, leverage, company size and company age significantly affect Intellectual Capital Disclosure through Intellectual Capital Performance.

2. Methodology

The population of this study was all banking companies (commercial banks) operating in Indonesia from at least 2014 to 2017 and regularly reports their financial position to the Indonesia Stock Exchange (IDX). Based on OJK data, the number of banks in Indonesia based on the Indonesia Banking Directory 2017 is 40 banks consisting of government-owned banks, national private banks (BUSN) foreign exchange, BUSN non-foreign exchange.

The sample of this research is purposive sampling where the sample is used if it meets the criteria: Reporting its activities consecutively for 4 years on the Indonesia Stock Exchange (IDX) from 2014-2017, Banking companies whose activities benefit, Available annual report data during the research period. Furthermore, with a purposive sampling technique a sample of 22 companies was obtained, with the following details. There are 40 banking companies listed on the Indonesia Stock Exchange 2014-2017, companies that do not meet the criteria: Inconsistently issued financial statements of 2 companies, did not provide complete information on 9 companies, the company suffered 7 companies' losses. The number of samples used in this study was 88 research samples. Furthermore, this research variable is as follows.

No	Variable	Measure/Proxy	Scale
1.	Profitability	ROA	Ratio
2.	Leverage	Total Debt divided by Total Equity	Ratio
3.	Company Size	Total Assets	Nominal
4.	Company Age	The age of company from its establishment until research is conducted	Nominal
5.	Intellectual Capital Performance	Value added Intellectual Coefficient (VAICtm)	Ratio
6.	Intellectual Capital Disclosure	IC Disclosure Index	Ratio

Table 1. Operational Variable

Furthermore, the data analysis technique of this study uses a descriptive analysis and path analysis approach. The analysis technique used is descriptive statistics to produce mode values and mean values of each variable. In this study, both exogenous variables of Profitability, Leverage, company size, company age, and endogenous variables of Intellectual Capital Performance and Intellectual Capital Disclosure, both are built with formative indicators with the calculation process assisted by WarpPLS software.

3. Results and discussion

3.1. Results

Descriptive analysis in this study was used to see an overview of the data used including independent variables and dependent variables. The dependent variable in this study is the intellectual capital disclosure, while the independent variables include profitability, leverage, company size and company age. Then the mediating variable is the intellectual capital performance. The following is a descriptive analysis of the independent variable, the dependent variable and the mediating variable.

Table 2. Descriptive statistic results of profitability, leverage, company size, company age, IC performance and intellectual capital disclosure for 2014 - 2017

Variable	Mean	SD	Maximum	Minimum
Profitability	1.830	1.038	4.730	0.090
Leverage	6.693	2.632	14.916	3.209
company size	2.841	0.908	4.000	1.000
Company age	48.227	21.253	111	16
IC performance	6.698	2.827	14.542	2.248
IC disclosure	0.798	0.102	1.000	0.500
TOTAL		-		22

Source: Output Warp-PLS 6.0, processed

Profitability was measured by using the Return on Assets (ROA) ratio. Return on Assets is a measurement of the company's overall ability to generate profits with the amount of assets in a given period. As Table 2 results of descriptive statistics it is known that banking companies in Indonesia obtained profits from the average assets of 1.83%, the data can be explained that the average banking company in Indonesia was able to generate profits from assets of 1.83%. Thus the banking company was in a very good level of profitability, because the average ROA above 1.5% referred to the standard circular issued by Bank Indonesia.

Leverage is the ratio of the amount of funds provided by the owner to the funds borrowed from the creditor. The higher the leverage rate, the higher the company's dependence on debt. Leverage was measured by the debt to equity ratio (DER). The leverage variable results that the banking company had an average value of 6.69, a minimum value of 3.20, a maximum value of 14.91 while a standard deviation was 2.63. Descriptive analysis results inform that the leverage variable of 22 commercial banks in Indonesia from 2014 to 2017 had an average value that was not fair, it means that above the maximum limit of the regulation of the finance minister of the Republic of Indonesia number 169/PMK.010/2015 states that the ratio of debt to equity a maximum of 4:1 (four to one).

The size of a banking company is a measure of the size of assets owned by a company. The size of this banking company refers to Bank Indonesia Regulations using total core capital classified in four categories. Table 6 show that the size of the company had an average value of 2.84, this shows that the average banking company in Indonesia was at the level of approaching BUKU (Commercial Banks based on Business Activities) 3. BUKU 3 can carry out all Business Operations as referred to in Article 4 PBI Number 14 years 2012, both in Rupiah and in foreign currencies and equity participation in financial institutions in Indonesia and/or abroad are limited to the Asian region.

The age of the company is a description of the length of time the company stood as a legal entity. The age of the company is calculated from the time the company was established as a legal entity until the year of research. Table 6 shows that the age of banking companies had an average value of 48 years, this illustrates that banking activities in Indonesia have an established age, resilience in advancing and developing the country.

The intellectual capital performance is a banking company performance that illustrates the ability of banks to manage and maximize intellectual capital owned. Table 6 shows that the performance of banking intellectual capital had an average value of 6.69, the minimum value of 2.25 namely; the intellectual capital performance at Bank Bukopin in 2017, the maximum value of 14.54, namely; the intellectual capital performance at Bank Rakyat Indonesia in 2014, while the standard deviation was 2.83.

Intellectual capital disclosure is a report that is voluntary to meet the needs of supplementary information for stakeholders. Stakeholders here come from within the company or from outside the company. Table 6 shows that bank intellectual capital disclosures had an average value of 0.79, the minimum value of 0.50, namely; the intellectual capital disclosure at Sinarmas Bank in 2015, the maximum value of 1.00, namely the intellectual capital disclosure at Sinarmas Bank, while the standard deviation was 2.83, this provides an

explanation that the average banking company discloses each item of intellectual capital classification on good disclosure.

As the formulation of profitability, leverage, size of the company and the age of the company that affect the intellectual capital disclosure through the intellectual capital performance, based on the results of WarpPIs it can be arranged with the following picture:

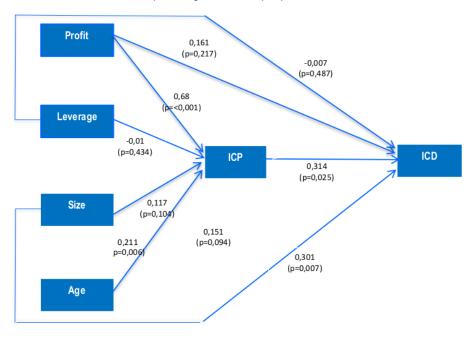


Figure 1. Results of path analysis of profitability, leverage, company size and company age on disclosure of intellectual capital through intellectual capital performance

Furthermore, to answer each hypothesis, it is necessary to solve the complete Path Analysis results structure into four more detailed sub-structures of Path Analysis. The results of the analysis of research data to examine the effect of profitability, leverage, company size and company age on the intellectual capital disclosure through intellectual capital performance can be seen in Table 3 below.

Table 3. Effect of profitability, leverage, company size and company age on disclosure of intellectual capital through intellectual capital performance

Variable relationship	Coefficient			
vanable relationship	Direct	Indirect	Total	
Profit → ICD	0.161			
Leverage → ICD	-0.007			
Size →ICD	0.301*			
Age → ICD	0.151			
ICP → ICD	0.314*			
$Profit \rightarrow ICP \rightarrow ICD$	0.687*	0.2157	0.9027	
Leverage \rightarrow ICP \rightarrow ICD	-0.010	-0.0031	-0.0131	
$Size \rightarrow ICP \rightarrow ICD$	0.117	0.0367	0.1537	
$Age \rightarrow ICP \rightarrow ICD$	0.211**	0.662	0.2772	

Note *) Statistically significant at the level $\alpha = 5\%$ **) $\alpha = 10\%$

where: Profit = Profitability; ICP = Intellectual Capital Performance; Leverage = Leverage; ICD= Intellectual Capital Disclosure; Size = Company Size; Age = Company Age.

Table 3 shows that the effect of profitability on the intellectual capital performance was significant with a regression coefficient of 0.687 with a positive effect, and the effect of intellectual capital performance on intellectual capital disclosure was significant with a coefficient of 0.314. The effect of profitability on intellectual capital disclosure through intellectual capital performance was 0.2157 and the total value was 0.9027. This means that profitability had a significant effect on the intellectual capital disclosure through the intellectual capital performance, it can be seen that the total coefficient value was greater than the value of the direct coefficient, with the positive coefficient value. This means that the profitability of intellectual capital disclosure through intellectual capital performance had a direct effect, to increase intellectual capital disclosure is to increase profits, the higher the level of ability to earn profits will cause an increase in intellectual capital performance so that it will increase intellectual capital disclosure. This gives an explanation that the intellectual capital performance has succeeded in becoming a full mediation of profitability on the intellectual capital disclosure, it means that investors in seeing the profitability of the company will be more inclined to pay attention to the company's ability to obtain intellectual capital performance, because the better performance will provide increased profits for companies so as to increase intellectual capital disclosure.

Based on Table 3 it can be seen that the effect of leverage on the intellectual capital performance was insignificant with a regression coefficient of -0.010 with a negative effect, and the effect of intellectual capital performance on intellectual capital disclosure was significant with a coefficient of 0.314. The effect of leverage on the intellectual capital disclosure through intellectual capital performance was -0.0031 and a total value of -0.0131. This means that leverage was not significant to the intellectual capital disclosure through intellectual capital disclosure through intellectual capital performance. It can be seen that the total coefficient value was less than the value of the direct coefficient. This gives an explanation that the intellectual capital performance failed as a mediating variable between leverage and intellectual capital disclosure.

Table 3 shows that the effect of company size on the intellectual capital performance was insignificant with a regression coefficient of 0.117, and the effect of intellectual capital performance on intellectual capital disclosure was significant with a coefficient of 0.314. The effect of company size on intellectual capital disclosure through intellectual capital performance was 0.0367 and the total value was 0.1537. This means that the size of the company was not significant to the intellectual capital disclosure through the intellectual capital performance, it can be seen that the total coefficient value was less than the value of the direct coefficient (0.1537 <0.301). This explains that intellectual capital performance failed as a mediating variable between company size and intellectual capital disclosure.

Based on Table 3, it can be seen that the effect of company age on intellectual capital performance was significant with a regression coefficient of 0.211 with a positive effect, and the effect of intellectual capital performance on intellectual capital disclosure was significant with a coefficient of 0.314. The effect of company age on the intellectual capital disclosure through intellectual capital performance was 0.662 and the total value was 0.2772. This means that the age of the company significantly affected the intellectual capital disclosure through the intellectual capital performance, it can be seen that the total coefficient was greater than the value of the direct coefficient, with the positive coefficient value. This means that the age of a company towards intellectual capital disclosure, and the higher age of a bank will cause an increase in intellectual capital performance had succeeded in becoming a full-age mediator of the company against the intellectual capital disclosure, it means that investors in seeing the establishment in the age of a bank will be more likely to pay attention to the company's ability to obtain intellectual capital performance, because the better intellectual capital performance based on an increasingly established age, professional and experience can increase intellectual capital disclosure.

4. Discussion

4.1. Effect of profitability, leverage, company size, and company age on intellectual capital performance

The results of the path analysis note that the profitability and age of the company significantly affected the intellectual capital performance, this illustrates that if the profits of a banking company are increasingly large and supported by the increasingly age of the company with experience, it will improve the intellectual capital performance. The results of this study are in line with the results of El-Bannany (2015) and Mohd-Saleh, Rahman, and Ridhuan (2009) which stated that the variables that affected the intellectual capital performance, namely: profitability and age of the company.

Furthermore, the profitability of banking companies in Indonesia is in a position of very good profitability levels in earnings during the observation period; this indicates the performance of banks in Indonesia supported by technology, human resources, policies and strategies that are capable of running in accordance with the expectations of the banking world. Profitability in this study proxied by Return on Assets (ROA), this situation shows that the better the profitability of a bank, the better the intellectual capital performance. This is in line with the view of legitimacy theory, that companies will be compelled to show their IC capacitance in financial statements to obtain legitimacy from the public for their intellectual property. This recognition of public legitimacy is important for banking service companies to maintain their existence in the business environment, high technology and social environment of banking companies.

The results of this study are in line with research (Mohd-Saleh *et al.* 2009). El-Bannany (2015) examining banking in Egypt during the 2007-2010 periods also showed that profitability affected the intellectual capital performance. However, the results of this study contradict the research of El-Bannany (2012), where the profitability of banks in the United Arab Emirates (UAE) shows that profitability had no effect on the intellectual capital performance.

On the other hand, this study shows that the effect of leverage on the intellectual capital performance was not statistically significant. This means that increasing the leverage ratio tends to reduce the intellectual capital performance. The banking service sector is a business that relies on high trust from the public, because the majority of banking companies in their business uses funds from the community and then are managed to be channeled back to the community. The use of debt or leverage funds can lead to burdens and risks for a bank, especially if the banking company between the services incomes obtained is not proportional to the burdens that are borne by the banking company. Management of public funds entrusted to the Bank, if implemented properly, transparently and accurately, it will certainly reduce risk. This finding is in line with Mohd-Saleh *et al.* (2009) that leverage did not affect the intellectual capital performance in companies listed on the Malaysian Stock Exchange. This is consistent with the fact that companies whose leverages are higher than average will be in a high-risk position.

Subsequent results indicate that company size had a statistically insignificant effect on intellectual capital performance. This research shows that increasing company size tends to reduce the intellectual capital performance. The size of the company shows a group of quantities based on certain criteria that are widely accepted. According to Brigham and Houston (2010, 4) the size of the company is a measure of the size of a company that is shown or valued by total assets, total sales, total profits, tax burden and others. Large companies have advantages compared to companies in small groups. Banking service companies in large groups generally have the power to obtain funds and have high trust from the public.

The size of bank companies in Indonesia is classified into four categories, referring to Bank Indonesia Regulation number 14/26 / PBI / 2012, namely: business activity group 1 (BOOK 1), which has core capital starting from IDR 100 billion to under IDR 1 trillion, including Bank Capital Indonesia, Bank BRI Agro, Bank Maspion and Bank Bumi Arta in 2014. The second group (BUKU 2) is with core capital of Rp 1 trillion to below Rp 5 trillion including Bank Woori Saudara Indonesia 1906 Tbk, Bank Sinarmas, Bank Artha Graha Internasional, Bank Mayapada Internasional, Bank Victoria Internasional. The third group (BUKU 3) will have core capital of between Rp 5 trillion to Rp 30 trillion, including Bank BTN, Bank Danamon, Bank Mega, Bank Maybank Indonesia, Bank Bukopin, Bank Panin Indonesia, Bank BTPN. Business activity group 4 (BOOK 4) with core capital of over Rp 30 trillion includes Bank BCA, Bank BRI, Bank Mandiri, Bank BNI, Bank OCBC Nisp and Bank Cimb Niaga. The bigger a bank company is, the wider the range of products and activities that banks can carry out.

These findings are in line with Joshi, Cahill, and Sidhu (2010) examined the size of banks in bank companies in Australia for the period 2005-2007 which found the results of the size of the bank did not affect the intellectual capital performance. The opposite research result is El-Bannany (2015); that company size affected intellectual capital performance. This phenomenon is interesting because in theory the larger the size of the company, of course, the intellectual capital performance will be better, this finding actually contradicts the presumption of researchers.

The effect of the company's age on the intellectual capital performance was statistically positive and significant. The statistical results of this study indicate that as a company ages, it tends to increase the intellectual capital performance. The age of the company shows the toughness of a business in maintaining the continuity of its business activities. According to Loderer and Waelchli (2010) the age of the company is calculated starting the year of its establishment as a legal entity. A long-established company will have the best strategies and solutions to keep the company alive in the future. The longer a banking company exists; of course there have been many ups and downs in doing business, especially the banking service business that relies on the trust of the public. The

ability of a bank service company to resolve various opportunities and obstacles that arise in the company's management activities will increasingly show a strong identity for the existence of the company itself.

The results of the study are in line with research by El-Bannany (2015); and Mohd-Saleh *et al.* (2009) shows that the age of the company affected the intellectual capital performance, this explains that the more age of the banking company, the company will use all kinds of expertise, experience, human capital so as to encourage the intellectual capital performance is increasing. This is also in line with the legitimacy theory that companies are very important to the public's recognition of the existence of companies that are increasingly advanced and developing in line with the fast-changing banking world competition.

4.1.1. Effect of profitability, leverage, company size, and company age on intellectual capital disclosure

The results of the regression analysis revealed that company size and company age significantly affected intellectual capital disclosure. This shows that the stakeholder assessment of banks still sees the experience of a bank that is a large and aged company. This view is the main concern of stakeholders in seeing companies that report intellectual capital disclosure as additional reports or voluntary reports. Mouritsen *et al.* (2001) state that the intellectual capital disclosure is communicated to internal and external stakeholders by combining numerical, visual and narrative reports aimed at creating corporate value.

Stakeholder theory suggests that the company's goal is to create value for all stakeholders (Freeman 1984). The company will achieve success and be sustainable as technology development; managers must maintain commitment, the interests of employees, customers, society and shareholders in harmony and step in the same direction.

Furthermore, if the effect of each variable on the intellectual capital disclosure shows that profitability is not significant to the intellectual capital disclosure, this can be interpreted that profitability cannot affect the intellectual capital disclosure. Profitability that was proxied by Return on Assets (ROA) indicates that the profits earned by banking companies cannot be an effect on intellectual capital disclosure.

The average profitability of banking companies in Indonesia is mostly in the highest standard, this condition indicates the ability of banks to obtain profits in a very good position. This excellent profitability has an impact on the process of intellectual capital disclosure which tends to decline. The results of this study are in line with the results of Kateb (2014) study, which analyzed a panel of companies registered in France for the period 2006-2010. Ferreira *et al.* (2012) and Ulum *et al.* (2014) findings of profitability did not significantly affect intellectual capital disclosure. The opposite research results are the research of García-Meca *et al.* (2005), Kang and Gray (2011) and Li *et al.* (2008) with the results of profitability which had a positive effect on intellectual capital disclosure

Leverage was not significant to the intellectual capital disclosure; this can be interpreted that leverage did not affect the intellectual capital disclosure. Leverage proxied by Debt to Equity Ratio (DER) indicates that all debts obtained by banking companies cannot affect intellectual capital disclosure, in the sense that stakeholders in assessing disclosures made by banking companies are not a factor of the amount of debt with their equity. The average leverage of banking companies in Indonesia has a fairly high burden beyond the maximum standard set by the government, which is on average six to one. This situation is certainly very unfavorable for the survival of banking companies in the long run, because it will have the effect of gaining future profits which are likely to decrease with rising debt burdens.

This finding shows that banking service companies in Indonesia already have a commitment to implement Bank Indonesia regulation number 14/14/PBI/2012 regarding transparency and publication of bank reports. The results of this study are in line with the results of research by Ferreira *et al.* (2012), Ulum *et al.* (2014). The results of this study contradict Kateb (2014) which confirms that debt is a determining factor for intellectual capital disclosure that enables managers to reduce agency conflict and resolve financial statement inability by disclosing information relevant to investors.

The size of the company against the intellectual capital disclosure was statistically positive and significant. The size of the company was positively related to the intellectual capital disclosure, the direction of relationship means the greater the size of the company, the higher the intellectual capital disclosure. The size of the company which is proxied by the amount of core capital indicates that the size of the company obtained by the banking company can affect the intellectual capital disclosure, in the sense that stakeholders assess the disclosures made by the banking company from the factor of the amount of core capital.

Large banking companies will provide breadth in exploring innovative activities, programs and achievements disclosed in annual reports, with the aim of maintaining strategic positions in the market and convincing stakeholders. The results of this study will strengthen the legitimacy theory that the importance of public recognition as the main impetus in disclosing information in annual reports, so that investors are more secure in investing funds.

The results of this study are in line with El-Bannany (2012), and Kateb (2014). El-Bannany (2012) which confirms that company size is a determining factor in the intellectual capital disclosure in banking companies in the United Arab Emirates. The company age on intellectual capital disclosure was statistically positive and significant. The age of the company was positively related to the intellectual capital disclosure, giving the intention of a direct relationship means that the older the age of the company, the higher the intellectual capital disclosure. Older banking companies have a wealth of experience, endurance, strategies to maintain the strength to win the competition in the market, so the banking company will try to provide more information to the user community so the higher level of investor confidence to get value added in the form of annual report disclosures. Researcher Nikolaj *et al.* (2005) states that the older the company, the higher the value of its reputation and social activities.

The results of this study are in line with El-Bannany (2012) examining banking in the United Arab Emirates Bank during the period 2005-2009, which confirms that the age of the company was a positive effect on the intellectual capital disclosure in banking companies, as well as the findings of Ulum *et al.* (2014) stating that the age company had a negative and significant effect on intellectual capital disclosure. Different results in the study of White *et al.* (2007) and García-Meca and Martínez (2005) show that the age of a company had no effect on intellectual capital disclosure.

4.1.2. Effect of intellectual capital performance on intellectual capital disclosure

The intellectual capital performance on the intellectual capital disclosure was statistically positive and significant. The intellectual capital performance was positively related to the intellectual capital disclosure, giving the intention of a direct relationship means that the better the intellectual capital performance of a company, the higher the intellectual capital disclosure. Improved intellectual capital performance will encourage additional company profits. Banking companies that are always service-oriented to stakeholders will quickly follow developments in the use of technology, so the higher the level of stakeholder confidence. Banks that have intellectual capital disclosure reporting can be a means of communication between company management, banking owners and other stakeholders, so they can position their respective interests.

This finding is in line with the theory of legitimacy which states that organizations must continuously demonstrate that they have operated and behaved consistently with social values (Guthrie and Parker 1989). The results are in line with the research of Ulum *et al.* (2014), Williams (2001) which shows the results that the intellectual affected the intellectual capital disclosure.

4.1.3. Effect of profitability, leverage, company size, and company age on intellectual capital disclosure through intellectual capital performance

The results of the analysis of research data to examine the effect of profitability, leverage, company size and company age on intellectual capital disclosure through intellectual capital performance was the effect of profitability and age of the company on intellectual capital disclosure through intellectual capital performance was a significant effect. It can be interpreted that the higher company profits are obtained, it will cause intellectual capital performance to increase so that it is responded well by stakeholders followed by increased intellectual capital disclosure, and increasing age of the company causes increasing intellectual capital performance, because the better the intellectual capital performance will produce more activities, the company programs and strategies are conveyed in the intellectual capital disclosure report.

The effect of leverage and company size was not significant with the results of the analysis of the value of the indirect effect of leverage and company size on intellectual capital disclosure through intellectual capital performance less than the direct effect of leverage and company size on intellectual capital disclosure. This gives an explanation that the high leverage and better company size if followed by ups and downs of intellectual capital performance cannot increase intellectual capital disclosure.

The results of the effect of profitability on the intellectual capital disclosure through intellectual capital performance in statistical data were significant, because it has a regression coefficient value of the indirect effect greater than the direct effect. In this case the intellectual capital performance variable has succeeded in becoming a full mediation between profitability and intellectual capital disclosure. This shows that increasing profitability in this case the bank's profit is the power to improve company performance in this case the intellectual capital performance. Companies that have the advantage of course have funds for activities that support improvements for employees (human capital), organization (organizational capital) and fostering relationships (relational capital). Improvement of banking employees is done through further study education, developing skills, training and seminars, so that employees will have the ability to innovate and adapt quickly to changes that occur. Organizational improvement can be done by banks, namely through the application of corporate culture, information systems and

the latest technological networks, obtaining patents, so that banking companies have reliable competitiveness and are able to increase operational effectiveness and efficiency. Improving relationships can be done by banking through the best services for consumers, establishing profitable partnerships and distribution networks, so that banking companies have professionalism in providing banking services to build customer trust. The increase in employees will certainly encourage the improvement of intellectual capital performance.

Solid, well-established and strong intellectual capital performance will create banking companies to make disclosures about the company's position in winning competitiveness so as to make the best banking and gain the trust of all users. In line with Bank Indonesia regulation number 14/14/PBI/2012 concerning transparency and publication of bank reports, in order to create market discipline and in line with the development of international standards, efforts are needed to improve transparency of financial conditions, bank performance through publication of bank statements to facilitate public evaluation and Market players.

The Leverage variable was not able to show its effect on intellectual capital disclosure through intellectual capital performance, because the relationship of leverage variables with intellectual capital performance and the relationship of leverage to intellectual capital disclosure is both insignificant and has a minus regression coefficient. This means that the intellectual capital performance variable has failed to mediate between leverage and intellectual capital disclosure

Likewise, for company size variable was not able to affect the intellectual capital disclosure through intellectual capital performance, because it has a regression coefficient value of the direct effect which is greater than the indirect effect. In this case the intellectual capital performance variable has failed to mediate between company size and intellectual capital disclosure. This shows that the high size of bank companies which is followed by the ups and downs in the intellectual capital performance cannot increase the intellectual capital disclosure. This illustrates that stakeholders will pay more attention to the company's ability to disclose intellectual capital, because disclosure provides more information about the bank's credibility, activities, strategies and advantages.

The same result for the company's age variable was also not able to affect the intellectual capital disclosure through intellectual capital performance, because it has a regression coefficient value of the indirect effect which is greater than the direct effect. In this case the intellectual capital performance variable has succeeded in becoming a full mediation between the age of the company with the intellectual capital disclosure. This shows that the older the banking company, there will be a tendency to improve the intellectual capital performance. Companies that have an old age certainly have experience, ability to innovate, endurance, reliable human capital, and extensive relational capital so that banking companies will continue to have high trust from stakeholders or customer loyalty in particular.

Professional, well-established and trusted intellectual capital performance will create banking companies to make disclosures about the company's position in winning competitiveness so as to make the best banking and gain the trust of all users. This is in line with the legitimacy theory that banking companies need recognition from the public about the existence of a banking company so that the name of the banking company remains known by the user community.

Conclusion

Based on the analysis of the results of research and discussion, it can be concluded that profitability and age of the company significantly affected the intellectual capital performance. This means that the greater contribution of profitability percentage and the older a bank can increase the intellectual capital performance. With an older age, experience in maintaining business competence and supported by good financial management in generating profits will certainly enhance the intellectual capital performance, this happens because the trust of the user increases because external parties assume the banking company has the ability and provide services that are very much needed. Conversely, leverage and company size did not affect the intellectual capital performance.

The effect of company size on intellectual capital disclosure was positive and significant, it can be explained that the greater the size of the company, the more activities that are disclosed in the intellectual capital disclosure report, it means that stakeholders assess the disclosures made by banking companies from the factor of the amount of core capital. While profitability, leverage and age of the company had no significant effect on intellectual capital disclosure.

Analysis of the effect of intellectual capital performance on intellectual capital disclosure had a positive and significant effect; this means that the better performance of a bank in Indonesia is responded well by the user as a barometer of banking success so as to increase intellectual capital disclosure.

The effect of profitability and age of the company on the intellectual capital disclosure through the intellectual capital performance was a significant effect, while the leverage and size of the company did not have a significant

effect on the intellectual capital disclosure through intellectual capital performance, it means the profitability and age of the company, this means that the greater contribution of the percentage of profitability and increasing age of the company can increase the level of intellectual capital disclosure in the form of reports made by the banking management. While the variable leverage and the size of the company did not affect indirectly on intellectual capital disclosure.

Furthermore, suggestions that can be given include: first, commercial banks in Indonesia should optimize the intellectual capital disclosure contained in annual reports and other reports. A complete annual report will be a reference for users or the public in making decisions. Banking companies that disclose in full will push to become a value-added company. Second, the Government as a policy / regulation maker bridges the creation of intellectual capital reporting standards as a means of intellectual capital disclosure, making it easier to identify and measure intangible assets (PSAK 19). Because since early 2000, intellectual capital statements / ICS have been known and practiced in European countries. Third, the next researcher who studies the intellectual capital disclosure should add indicators to the profitability variable, leverage variable, company size variable and company age variable. The indicators on the added profitability variable are the net profit margin indicator and the return on equity indicator. The leverage variable adds a debt ratio indicator and times interest earned. Company size variables add indicators of share capital, number of shareholders and indicators of fixed assets. While the company age variable adds an indicator of company age calculated on the date of being listed on the stock exchange. So that the addition of this indicator will produce more complete findings from several alternative indicators of research variables.

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