

The Role of Firm Size, Leverage, Ownership Structure, and Corporate Governance on Intellectual Capital Disclosure



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ABSTRACT: There are four objectives in this study that is to identify and explain the influence of Firm Size on Intellectual Capital Disclosure, the influence of Leverage on Intellectual Capital Disclosure, the influence of Ownership Structure on Intellectual Capital Disclosure, and the role of Corporate Governance as a moderating variable between Ownership Structure and Intellectual Capital Disclosure. This study is explanatory research where the process of data analysis was performed using warpPLS software. The population in this study were all manufacturing companies in the 2014-2018 Indonesia Stock Exchange. The sampling was done using purposive sampling and resulted in 22 companies with 5 periods. Thus, the number of research analysis units in this study was 110. This study found that Firm Size has a significant and negative influence on Intellectual Capital Disclosure. Similarly, Ownership Structure also has a significant and negative influence on Intellectual Capital Disclosure. On the other hand, Leverage does not have a significant effect on Intellectual Capital Disclosure, and Corporate Governance is not a moderating variable in the relationship between Ownership Structure and Intellectual Capital Disclosure. It can be said that investors and companies need to pay attention to Firm Size and Ownership Structure in making investment choices.

KEYWORDS: Agency Theory, Firm Size, Leverage, Intellectual Capital Disclosure, Corporate Governance.

I. INTRODUCTION

To date, a company is an institution that can provide many benefits for the community including employment, goods for consumption/community needs, taxes, donations, and many more so that a company can carry out its operational activities.

A company is a tool used by a certain person or group to get maximum benefit. Concerning this objective, an accurate and realistic plan that is under the conditions of the company is needed because it can predict the company's performance. Performance predictions are expected to be used as input for the decision-making of the leader.

The separation of owner and management in the financial literature is known as Agency Theory. This is one of the theories that have emerged in the development of financial research. Agency Theory is a modification of financial accounting model development which adds the aspects of human behavior to the economic model. Agency Theory underlies the contractual relationship between shareholders/owners and management/managers (Jensen & Meckling, 1976). This theory believes that the relationship between owner and manager is inherently difficult to create because of the conflicting interests.

Agency Theory shows that an agency relationship arises when one or more people (the principal) employs another person (the agent) to provide a service and then leave the decision-making authority to that agent. The relationship between the principal and the agent can lead to an information asymmetry because, compared to the principal, the agent is in a position to have more information about the company (Jensen & Meckling, 1976). In this matter, it is assumed that individuals will act to maximize their interests so that the information asymmetry will encourage the agent to hide some information from the principal. In this asymmetric condition, the agent can influence the accounting numbers presented in the financial statements through earnings management.

Several studies have been carried out to examine the variables in this study. One of which is Ali (2011), Alnajjar & Taylor (2008), and Sheikh & Wang (2011) who found that there was a positive relationship between Firm Size and Leverage. This research was based on a Trade-off Theory which suggested that large companies should have more debt because the company risk will be more diversified making it less susceptible to bankruptcy and have relatively low bankruptcy costs.

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The Effect of Firm Size on Intellectual Capital Disclosure also has been taken into account by Bruggen, et al. (2009), Ousama, et al. (2012), Taliyang, et al. (2011), Ferreira, et al. (2012), and Morariu (2013). Based on Agency Theory, they pointed out that larger companies have a higher level of Intellectual Capital Disclosure.

On the other hand, the influence of Leverage on Intellectual Capital Disclosure has been investigated by Whitting, et al. (2011), Ousama, et al. (2012), Taliyang, et al. (2011), and Ferreira, et al. (2012) who emphasized that companies with higher Leverage ratios will disclose more information because companies with such capital structures have higher agency costs.

Ganguli (2013), Pushner (1995), Pindado & Tore (2011) and Sadeli, et al. (2016) also tried to measure the influence of Ownership Structure on Leverage. The results of their research revealed that there is a negative effect on the Ownership Structure on Leverage.

Recent studies from Bukh, et al. (2005), Taliyang, et al. (2011), Whitting & Woodcock (2011), Sadeli, et al. (2016) analyzed the influence of Ownership Structure on Intellectual Capital Disclosure and demonstrated that Ownership Structure has a positive effect on Intellectual Capital Disclosure.

Whereas, no studies have been reported to elaborate on the moderating effect of Corporate Governance on Intellectual Capital Disclosure making it is interesting to be taken into study. Corporate Governance mechanisms are designed to align stakeholder interests to provide solutions to principal-agent agency problems. One of the principles of Corporate Governance is transparency which contains elements of disclosure as an effort to reduce information asymmetry. One thing that needs to be conveyed is Intellectual Capital Disclosure; this is supported by the research from Hidalgo (2011), Whitting (2011), Li, et al. (2011) and Sadeli, et al. (2016). On the other hand, Corporate Governance also affects Ownership Structure; this has been reviewed by Munisi (2019) and Utama, et al. (2017). From some of these previous studies, the researchers tried to examine the role of Corporate Governance as a moderating variable between Ownership Structure and Intellectual Capital Disclosure.

II. LITERATURE REVIEW

Firm Size

According to Saffold (1988), Firm Size is defined as a measure that can indicate a condition or characteristic of an organization or company. Several parameters can be used to determine the size of a company such as the number of employees, the number of company assets, the total sales achieved by the company in a certain period, and the number of different shares.

Ownership Structure

Ownership Structure is the ownership portions of a company based on the percentage of shares owned, namely the ratio between the number of shares owned by insiders and investors (Jahera & Aurburn, 1996). The percentage of ownership is determined by the percentage of total shares on the company's total shares. Someone who owns shares in a company can be said to be the owner of the company even though the number of shares is only a few.

In general, Ownership Structure can be classified into 3 types of ownership. The first is Management/Managerial Ownership that is the proportion of shares owned by the members of management to the total number of outstanding shares. The second is Institutional Ownership that is shown by the proportion of shares owned by institutional investors and blockholders. To reduce agency conflicts in a company, Institutional Ownership has an important role in monitoring company management. Last but not least, there is Public Ownership that is the percentage of share ownership owned by the general public. This external party ownership has great power in influencing the company through mass media that is the voice of the public. Public Ownership itself indicates that the public has seen the potential of the company's profitability so that they are willing to invest in the company.

Leverage

Leverage is one of the policies that must be taken by a company including in a funding policy. Funding policy focuses on the composition of a company's funding or capital. Companies that experience a lack of internal funding sources can take an alternative by using external funding sources. This can be obtained through the issuance of shares or Leverage. Leverage is the use of external sources of funds with the consequence that the company must bear a fixed burden in the form of interest and debt installments.

Leverage also illustrates the company's ability to meet its obligations to cover fixed costs and corporate debt. This ability is indicated by the amount of equity used to pay debts. Lower Leverage indicates that the debt in the capital structure is lower and vice versa.

Intellectual Capital Disclosure

Intellectual Capital refers to non-physical capital which means intangible or invisible assets. This capital is associated with knowledge and human experience as well as technology (Karanika, 2012). Intellectual Capital is often considered quite important

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and capable to bring high-value economic benefits in the future. Bontis, et al. (2000) stated that Intellectual Capital has 3 components, namely Human Capital, Structural Capital, and Customer Capital. The three parts above are interrelated to illustrate the company's ability in managing Intellectual Capital.

The indicators that build Intellectual Capital Disclosure are Human Capital Disclosure (HCD), Internal Capital Disclosure (ICD), and External Capital Disclosure (ECD). Human Capital Disclosure is the disclosure of information that refers to an individual's knowledge such as qualifications, skills, values, and experiences in an organization. This capital is inherent with employees. Whereas, Internal Capital Disclosure deals with the knowledge in the organizational structure, processes, procedures, routines, systems and culture created or performed by employees. On the one hand, External Capital Disclosure is information disclosure that speaks of knowledge in an organization's external relations such as suppliers, customers, and business partners. (Whitting & Woodcock, 2011).

Corporate Governance

The internal mechanism of the company is primarily based on the role of the commissioners to take control so that harmony is achieved among stakeholders. Corporate Governance is needed to find solutions to Principal-Agent problems. Principals become financial providers, looking for ways to ensure agents (management) handle their investments to ensure maximum returns for investors as well as other stakeholders.

Corporate Governance aims to protect all company's shareholders by manifesting oneself in the qualifications (in terms of profession and experience) of the directors and company management. The need for Corporate Governance arises from conflicts of interest between insiders and outsiders. Asymmetric information allows managers (agents) to pursue their own goals that may not in line with the owner (principal). Therefore, managers can take actions according to their self-interest which may not always be beneficial for shareholders (Al-Najjar, 2010).

The Effect of Firm Size on Intellectual Capital Disclosure

Agency Theory (Jensen & Meckling, 1976) is a concept that explains the contractual relationship between principals and agents. The principal is the party that mandates another party, namely the agent, to carry out all activities on behalf of the principal in his capacity as a decision-maker. In the context of an agency relationship, managers as parties who have direct access to company information have asymmetric information on external parties such as creditors and investors. In this matter, there might be information that is not distributed by the management to the company's external parties including investors. Asymmetric information can be minimized by company management; it must be supervised and controlled to ensure that the management is carried out based on various applicable rules and regulations. This effort creates Agency Costs, which according to Agency Theory, the cost of reducing losses arising from non-compliance is equivalent to an increase in the cost of its enforcement (Jensen & Meckling, 1976).

This Agency Cost includes costs for supervision by shareholders, costs incurred by management to produce transparent reports including independent audit fees and internal control, and costs caused by decreasing shareholder value as a form of bonding expenditures provided to management in the form of options and various benefits. The bonding expenditures are aimed to align management's interests with shareholders. Based on Agency Theory, it is said that the larger the company, the higher the level of Intellectual Capital Disclosure. In the context of this theory, large companies with many shareholders (Weston, 1985) have higher agency costs because large companies must submit complete financial reporting to shareholders as a form of management responsibility. The practice of Intellectual Capital Disclosure in terms of accounting management is an attempt to reduce the number of agency costs.

The Effect of Ownership Structure on Intellectual Capital Disclosure

Agency Theory is the main theory that underlies the relationship between Ownership Structure on Intellectual Capital and Ownership Structure on Firm Risk. Referring to Agency Theory (Jensen and Meckling, 1976), an agency relationship is a contract in which one or more people (principal (s)) engage with other people (agent) to perform some services on their behalf which involves some delegation of decision-making authority to the agent. If both parties have an interest in the relationship as utility maximizers, this is a good reason to believe that the agent will not always act in the best interest of the principal. The principal can limit deviations of interest with appropriate incentives for agents and incur monitoring costs designed to limit the agent's deviant activities. In some situations, the management needs to spend resources (bonding cost) to ensure that there will be no certain unsafe actions on the principal or to guarantee that the principal will receive compensation if they do not take such action. In general, a principal or a zero-cost-agent cannot ensure that the agent will make an optimal decision from the principal's point of view. In agency relationships, most of the principal and the agent will be charged with monitoring and bonding costs (non-pecuniary and pecuniary). There will be some differences between the decision of the agent and the decisions that should

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maximize the welfare of the principal. In conclusion, Agency Theory tries to explain that companies with a greater concentration of ownership will have higher Intellectual Capital Disclosure to reduce Agency Costs and Information Asymmetry.

Business managerial attitudes, risks, and time horizons between shareholders (owners) and managers can be different resulting in agency conflicts and agency costs. Both of which occur due to conflicts of interest between principals and agents. Based on the explanation of Cerbioni & Parbonetti (2007), shareholders monitor managers through greater disclosure (Cerbioni and Parbonetti, 2007). Fama & Jensen (1983) argued that, compared to closed ownership of share, wide ownership of share will lead to a bigger prospect of conflict from the actor and agent (Whitting & Woodcock, 2012). The greater the spread of ownership, the more likely companies are to come under pressure from shareholders to reduce agency costs and information asymmetry (Jennsen & Meckling, 1976). Chau & Gray (2002) added that Intellectual Capital Disclosure will increase ownership from external parties (Whitting & Woodcock, 2012).

The Effect of Leverage on Intellectual Capital Disclosure

In this study, the theory used in explaining the relationship between Leverage and Intellectual Capital Disclosure is Agency Theory (Jensen & Meckling, 1976). Agency Theory, also called as Principal-Agent Model, aims to be an agreement between partners and to explain their behavior immediately when starting an agency relationship. Agency relationship is an agreement in which one or more persons referred to as principal(s) involve other parties called as agents to perform some services on their behalf. This involves the delegation of some decision-making authority to the agent. Agency Theory assumes that the interests between principal and agent are opposites.

In a company, there are several agency relationships, namely: between shareholder (principal) and manager (agent), between a creditor (principal) and shareholder & manager (agent), between an employer (principal) and employee (agent), and so on. Generally saying, a company can be thought of as an assembly of primary-agent relations. Each stakeholder will seek to act to fulfill its interests:

1. Principal

The issue is to determine appropriate incentives for agents and optimal control procedures to limit the opportunistic action of the agents.

2. Agent

The issue is related to effort and information that depends on the principal's decision; large efforts that are not reported to the principal will be useless and on the other hand, small efforts will be unnoticed. The company's behavior can be compared to other markets. This means that complex balancing process in finance and many conflicts related to classical financial problems such as dividend payment policies and investment decisions determine the optimal capital structure, etc.

Capital structure can affect two types of interest conflicts:

1. Conflicts of interest between managers and shareholders.
2. Conflicts of interest between shareholders and managers and creditors on the other hand.

This reconciliation of conflict will determine the optimal capital structure that will allow the maximization of global corporate value.

Agency Theory is a concept that explains the contractual relationship between principals and agents. The principal is the party that gives a mandate to another party, namely the agent, to perform all activities on behalf of the principal in its capacity as decision-maker (Jensen & Smith, 1984). In the Agency Relationship, managers as the party who has direct access to company information have asymmetric information on external parties such as creditors and investors. The purpose of management is to minimize this asymmetric information. Henceforth, the management of the company must be supervised and controlled to ensure that the management process is carried out in full compliance with various applicable rules and regulations. This effort creates Agency Costs which according to this theory, must be spent in such a way that the costs to reduce losses due to a non-compliance is equivalent to an increase in the cost of enforcement. These agency costs include costs for shareholder supervision, costs incurred by management to produce transparent reports including independent audit and internal control costs, and costs caused by decreasing shareholder value as a form of bonding expenditures provided to management in the form of options and various benefits to align the interests of management with shareholders (Jensen & Smith, 1984).

Agency Theory predicts that companies with higher Leverage ratios will reveal more information because their Agency Costs are higher (Jensen & Meckling, 1976). Additional information is needed to remove doubts from decision-makers regarding the fulfillment of their rights as creditors. In this case, companies with high Leverage should make wider disclosures than companies with low Leverage. Agency Theory is used to explain the effect of Leverage on the level of company disclosure. The higher the level of company Leverage, the greater the Agency Cost that will arise. To reduce Agency Costs, more comprehensive disclosure of the information is needed to be taken into account by the company. According to Ousama, et al. (2012), a company

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with high Leverage will tend to disclose wider information to those in need with the aim of reducing Agency Costs. This includes Intellectual Capital Disclosure.

The Effect of Ownership Structure on Intellectual Capital Disclosure.

Unfortunately, there have been no studies that examined the influence of Ownership Structure on Intellectual Capital Disclosure moderated by Corporate Governance, so that it becomes a new thing in this study.

In Agency Theory, (Jensen and Meckling, 1976) explains that concentrated managerial ownership becomes very important in the mechanism of Good Corporate Governance. The types and levels of Good Corporate Governance in a company depend on the Ownership Structure of the company. Companies tend to adopt Good Corporate Governance practices related to agency issues between stakeholders, particularly shareholders. Shareholders hope to use other Good Corporate Governance practices as monitoring and encouraging mechanisms to control agency problems. This suggests that different owners may show different behaviors and choices of certain Corporate Governance practices. As a result, this will affect the type and level of good Corporate Governance practices adopted by companies (Munisi, 2019).

One of the principles of Good Corporate Governance is transparency where it contains elements of disclosure as an effort to reduce asymmetry information. One of the disclosures that need to be submitted is Intellectual Capital Disclosure.

Hypothesis

- H1: Firm Size affects Intellectual Capital Disclosure
- H2: Ownership Structure affects Intellectual Capital Disclosure
- H3: Leverage affects Intellectual Capital Disclosure
- H4: Corporate Governance moderates the effect of Ownership Structure on Intellectual Capital Disclosure

III. METHODOLOGY

This study is *explanatory* research which explains the influence of the variables in determining *Intellectual Capital Disclosure* namely *Firm Size, Ownership Structure, Leverage, and Corporate Governance*.

Data and Data Collection

This research was conducted on the Indonesia Stock Exchange by accessing the official website (www.idx.co.id). The population in this study were all manufacturing companies listed on the 2014-2018 Indonesia Stock Exchange consisting of 66 companies in the Basic Industry and Chemicals sector, 39 companies in the Miscellaneous Industry sector, and 37 companies in the Consumer Goods sector. So, the total population was 142 companies. The sampling in this study was done using purposive sampling and obtained 21 companies with 5 periods. The criteria of the samples were companies included in the *secondary sectors* of JASICA (*Jakarta Stock Industrial Classification*) as industries full of knowledge and OECD (*Organization for Economic Cooperation and Development*) which has a very good chance of implementing *Intellectual Capital* in the industry, namely code-4 sector (various industries sector) and code-5 sector (consumer goods sector) listed on the IDX in 2014-2018 consistently. The total number of the sample were 105 firm-years. The type of data used in this research was secondary data collected through documentation of documents/data related to *Firm Size, Leverage, Ownership Structure and Intellectual Capital*. These data were analyzed using descriptive analysis and SEM PLS analysis with the WarpPLS approach.

Measurement

Tabel 1. Variable and Indicators

Variable	Indicator
Firm Size (X1)	Ln Total Assets (X _{1.1})
	Ln Total Sales (X _{1.2})
	Ln Market capitalization (X _{1.3})
Ownership Structure (X2)	Managerial ownership (X _{2.1})
	Institutional ownership (X _{2.2})
	Public Ownership (X _{2.3})
Leverage (Y1)	Total Debt to Total Asset (TDTA) (Y _{1.1})
	Long term Debt to Total Asset (LTDTA) (Y _{1.2})
	Total Debt to Total Equity (TDTE) (Y _{1.3})
	Long term Debt to Total Equity (LTDTE) (Y _{1.4})
Intellectual Capital Disclosure (Y2)	Human Capital Disclosure (HCD) (Y _{2.1})

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Variable	Indicator
	Internal Capital disclosure (ICD) (Y _{2.2})
	External Capital disclosure (ECD) (Y _{2.3})
Good Corporate Governance (GCG) (Z)	Number of members of the Audit Committee (Z _{1.1})
	Number of members of the Board of Commissioners (Z _{1.2})

IV. RESULT AND DISCUSSION

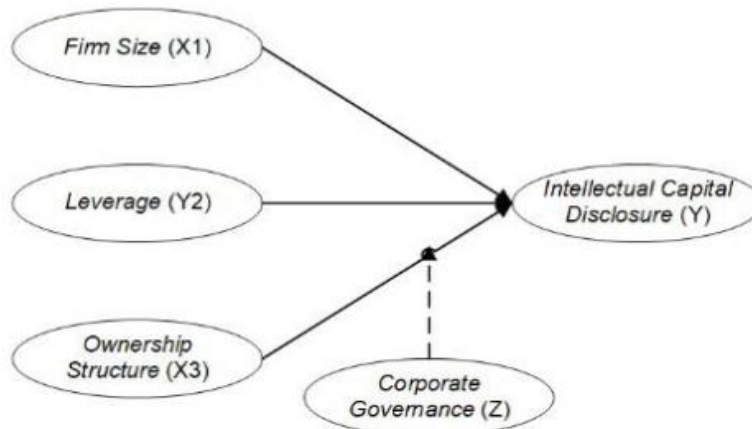


Figure 1. The structural equation model

Hypothesis Testing

Table 2. Hypothesis Testing on Direct Effect of WarpPLS Analysis

Variable		Path Coefficient	P-value	Test Result		
Predictor	Response					
Direct Influence						
<i>Firm Size (X1)</i>	<i>Intellectual Capital Disclosure (Y2)</i>	-0.505**	<0.001	Significant		
<i>Ownership Structure (X2)</i>	<i>Intellectual Capital Disclosure (Y2)</i>	-0.331**	<0.001	Significant		
<i>Leverage (Y1)</i>	<i>Intellectual Capital Disclosure (Y2)</i>	-0.127	0.091	Not Significant		
The Effect of Moderation (Interaction Variables)						
Variable			Path Coefficient	P-value	Test result	Note
Predictor	Moderation	Response				
<i>Ownership Structure (X2)</i>	<i>Corporate Governance (Z)</i>	<i>Intellectual Capital Disclosure (Y2)</i>	0.143	0.065	Not significant	Not Moderation

Source: Processed Primary Data, 2020

Description: * significant on α 5%

** Significant on α 1%

N^s not significant

Graphically, the results of hypothesis testing in the SEM structural model of the WarpPLS approach can be seen in this following Figure 2.

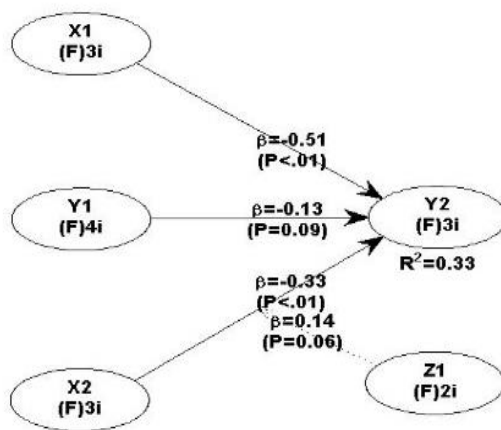


Figure 2. Conceptual Framework of Hypothesis Testing Results

Source: Processed Primary Data, 2020

Based on Table 3 and Figure 2 above, the hypothesis can be formulated as follows:

The Effect of *Firm Size* on *Intellectual Capital Disclosure*

H1: *Firm Size* affects *Intellectual Capital Disclosure*

From the SEM analysis, it is obtained that there is a direct effect of path coefficient as much as -0.505 and a P-value of <0.001. Because the P-value is <0.05, it indicates that there is a significant effect of *Firm Size* (X1) on *Intellectual Capital Disclosure* (Y2). This means that a higher *Firm Size* (X1) will lead to higher *Intellectual Capital Disclosure* (Y2). Thus, hypothesis 1 is accepted.

The Effect of *Ownership Structure* on *Intellectual Capital Disclosure*

H2: *Ownership Structure* affects *Intellectual Capital Disclosure*

The SEM analysis proves that the *Ownership Structure* (X2) affects *Intellectual Capital Disclosure* (Y2). There is a direct effect of path coefficient as much as -0.331 and a P-value of <0.001. This points out that there is a significant and negative affect of *Ownership Structure* (X2) on *Intellectual Capital Disclosure* (Y2). High *Ownership Structure* (X2) can lower *Intellectual Capital Disclosure* (Y2). As a result, hypothesis 2 is accepted.

The Effect of *Leverage* on *Intellectual Capital Disclosure*

H3: *Leverage* affects *Intellectual Capital Disclosure*

As shown in the SEM analysis, there is a direct effect of *Leverage* (Y1) on *Intellectual Capital Disclosure* (Y2) as much as -0.127 and a P-value of 0.091. Since the P-value is >0.05, this illustrates that there is no significant effect between *Leverage* (Y1) and *Intellectual Capital Disclosure* (Y2). In other words, high or low *Leverage* (Y1) will not affect *Intellectual Capital Disclosure* (Y2) making hypothesis 3 in this study rejected.

The Effect of *Ownership Structure* on *Intellectual Capital Disclosure* moderated by *Corporate Governance*

H4: *Corporate Governance* moderates the effect of *Ownership Structure* on *Intellectual Capital Disclosure*

The SEM analysis with the WarpPLS approach on *Corporate Governance* (Z) as the moderating variable of *Ownership Structure* (X2) on *Intellectual Capital Disclosure* (Y2) found that there is a direct effect path coefficient of 0.143 and a P-value of 0.065. This explains that *Corporate Governance* (Z) is not a moderating variable (P-value >0.05). Thus, hypothesis 6 is rejected.

From the results of the study, it is known that hypothesis 1 which says that *Firm Size* affects *Intellectual Capital Disclosure* can be accepted. The warpPLS analysis shows that there is a significant effect between *Firm Size* on *Intellectual Capital Disclosure*. This means that each change in the *Firm Size* gives a significant change in *Intellectual Capital Disclosure*. In connection with the findings of this study, there is a significant negative effect between *Firm Size* on *Intellectual Capital Disclosure*. This indicates that the direction of influence between these variables is not in accordance with *Agency Theory* (Jensen & Meckling, 1973). *Agency Theory* suggests that large companies should have more *Intellectual Capital Disclosure*. This is a new finding because previous studies from An *et al.* (2011), Bruggen, *et al.* (2009), Taliyang, *et al.* (2011) and Morariu (2013) used *Firm Size* as an exogenous variable and *Intellectual Capital Disclosure* as an endogenous variable. *The knowledge-based theory* is used to explain *Intellectual Capital Disclosure* while *Stakeholder theory* is used as the basis for this study to break down the effect of *Firm Size* on *Intellectual Capital Disclosure*.

Secondly, the hypothesis of *Ownership structure* affecting *Intellectual Capital Disclosure* is proved to be accepted because the warpPLS analysis points out that there is a significant influence of *Ownership Structure* on *Intellectual Capital Disclosure*. This

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means that every change in the *Ownership Structure* will significantly affect *Intellectual Capital Disclosure*. Empirically, *Ownership Structure* which is dominated by *public ownership* is the determinant of *Intellectual Capital Disclosure* even though the effect of *Ownership Structure* on *Intellectual Capital Disclosure* is significant and negative. *Public ownership* is not able to push the management to take more *Intellectual Capital Disclosure*. However, *public ownership* might be able to reduce *agency costs* through other *disclosures*, for example, social events and environmental issues. The results of this study are also a new phenomenon in which the direction of influence between variables is negative. This result is in contrast to Bukh, *et al.* (2005), Taliyang, *et al.* (2011), Whitting & Woodcock (2011), Sadeli, *et al.* (2016) who used *managerial ownership* as an exogenous variable and *Intellectual Capital Disclosure* as an endogenous variable. The study refers to *Agency Theory* (Jensen & Meckling, 1976) and previous study from Demirag, *et al.* (2000) and O'Sullivan (2000) emphasized that managerial ownership has a positive impact on *Intellectual Capital Disclosure*. There are indications that managerial ownership creates a greater incentive for *disclosures*. At the time of IPO (*Initial Public Offering*), which is the focal point, there was a unique case where the management has a greater incentive to disclose information when they have an interest in the capital market.

The third hypothesis which says *Leverage* affects *Intellectual Capital Disclosure* is not acceptable. The warpPLS analysis displays that there is no significant effect of *Leverage* on *Intellectual Capital Disclosure*. This can be said that any change in *Leverage* will not affect significant changes to *Intellectual Capital Disclosure*. The negative coefficient value indicates the direction of the change that is not in the same direction. The higher the *Leverage*, the lower the *Intellectual Capital Disclosure* and vice versa, even though the effect is not significant. This research does not support *Agency Theory* where this theory is a concept that explains the contractual relationship between *principals* and *agents*. The *principal* is the party that gives a mandate to another party, namely the *agent*, to carry out all activities on behalf of the *principal* in its capacity as decision-maker (Jensen & Smith, 1984). *Agency Theory* predicts that companies with a higher *Leverage* ratio will disclose more information because the agency costs will also be higher (Jensen & Meckling, 1976). Additional information is needed to remove doubts from decision-makers regarding the fulfillment of their rights as creditors so that companies with high *Leverage* ratios should make wider *disclosures* than companies with low *Leverage* ratios. The results of this study confirm several previous studies such as the study from Whitting & Woodcock (2011) which conducted research using *Leverage* as an exogenous variable and *Intellectual Capital Disclosure* as an endogenous variable. There is no significant influence between *Leverage* and *Intellectual Capital Disclosure* based on *Agency Theory*. It is assumed that the relationship between shareholders and creditors with the company and management has different qualities in the Australian business environment where *Agency Costs* are not revealed. The company may also limit these agency fees by making other voluntary *disclosures* with a small part of ICD.

Last but not least, the hypothesis that corporate governance is the moderating variable for the effect of *Ownership Structure* on *Intellectual Capital Disclosure* is rejected. The analysis using warpPLS illustrates that Corporate Governance (Z) does not moderate the effect of *Ownership Structure* on *Intellectual Capital Disclosure*. The path coefficient of the influence of *Ownership Structure* interaction (X2) on *Intellectual Capital Disclosure* (Y2) is 0.107 (positive), meaning that corporate governance strengthens the influence of *Ownership Structure* (X2) on *Intellectual Capital Disclosure*. This result does not support *Agency Theory* (Jensen and Meckling, 1976) that one of the principles in *good governance* is transparency which contains disclosure elements as an effort to reduce information asymmetry. One of the disclosures that need to be delivered is *Intellectual Capital Disclosure*.

V. CONCLUSION

Based on the results of the research and discussion of each variable, it can be drawn into the conclusion that:

Firm Size has a significant and negative influence on *Intellectual Capital Disclosure*. In other words, every increase in the *Firm Size* will give a significant decrease in *Intellectual Capital Disclosure*.

Ownership Structure also has a significant and negative effect on *Intellectual Capital Disclosure*. This means that every change in *Ownership Structure* will have a significant effect on *Intellectual Capital Disclosure*. Empirically, *Ownership Structure* which is dominated by *public ownership* is the determinant of *Intellectual Capital Disclosure* even though the effect of *Ownership Structure* on *Intellectual Capital Disclosure* is significant and negative.

Leverage is found to have no significant effect on *Intellectual Capital Disclosure*. This indicates that any change in *Leverage* will not affect *Intellectual Capital Disclosure*. The negative coefficient shows that the direction of the change is not in the same direction. Although the effect is not significant, it can be said that the higher the *Leverage*, the lower the *Intellectual Capital Disclosure* and vice versa.

Corporate Governance does not moderate the effect of *Ownership Structure* on *Intellectual Capital Disclosure*. The path coefficient of the influence of *Ownership Structure* (X2) on *Intellectual Capital Disclosure* (Y2) is positive, meaning that *Corporate Governance* strengthens the effect of *Ownership Structure* (X2) on *Intellectual Capital Disclosure* but not as a moderating variable.

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