

The Extent of Intellectual Capital Disclosure and Corporate Governance Mechanism to Increase Market Value

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Abstract

The aim of this paper is to investigate the level of intellectual capital disclosure (ICD) in commercial banks listed on the Indonesian Stock Exchange. This paper also observed the effects of ICD and corporate governance mechanism on market value. This study uses content analysis techniques to measure ICD. The paper provides a novel approach to measure the ICD quality in developing countries using a four-numerical coding system. Secondary data were obtained from the financial statements and annual reports of the banks for the period 2011-2014. The data from 31 banks were analyzed using ordinary least square regression. The study reports that the quality of intellectual capital disclosure in Indonesian commercial banks increase steadily. Narrative disclosure dominates the report of intellectual capital in Indonesian banks. The results indicate that the size of audit committee, frequency of audit committee meeting, and intellectual capital disclosure affect positively the market value. Overall, the results indicate intellectual capital disclosure is associated with the market capitalization; these findings indicate that the ICD is a consideration in a stock investment decision. While regulations in Indonesia regarding intellectual capital reporting are not conclusive yet, the information needs of stakeholders have encouraged companies to expand voluntary disclosure.

Keywords: Intellectual Capital Disclosure, Share Ownership, Independent Commissioner, Audit Committee, Market Capitalization

JEL Classification Code: G32, G34, M41, O34

1. Introduction

In the current era of economic disruption, business management is shifting with greater potency to intangible things such as intellectual capital (IC). Conversely, financial reports oftentimes fail to report ICs as a significant proportion of the total value of the organization (Ousama et al., 2020). As a result, companies with high ICs may look less valuable than their true value (Petty & Guthrie, 2000). A resource-based approach states that IC is a company resource that plays an important role, as well as physical capital and

financial capital. Intellectual capital is an organizational capability to create, transfer, and implement knowledge. Bontis et al. (2000), who examined companies in Malaysia, found that IC has a significant and substantive relationship to firm performance. Meanwhile, Solikhah et al. (2010) also obtained a similar finding in her research in Indonesia that IC has a significant effect on financial performance, growth and market value of the company. Intellectual capital disclosure (ICD) is interesting to study because there are no standard guidelines regarding the measurement and reporting of intellectual capital in Indonesia. ICD, which the company delivers annually to the capital market, describes the overall intangible assets managed by the company (Widarjo, 2011). The IC reports become very importance information for the (potential) investor, so that the disclosure of intangible assets, which is more widely known as ICD, needs to be improved.

One of the company's goals is to improve the welfare of the owner or shareholder by increasing the value of the company (Berzkalne & Zelgalve, 2014). The value of the company is the worth of a business showing the company's performance and representation of public trust. Firm value is also often associated with how a company manages its business, implements policies, enforces business ethics, and manages the situations and conditions in the work environment facing the company. The rise in company's

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value is an achievement according to the expectations of its owners. Since the value of the company is increasing, the owner's welfare will also increase.

A declining company performance, for example a negative annual profit, can cause a decline in the firm value; investors and analysts often avoid these firms. A poor company management can lead to investor trust falling. Investors will be apprehensive about the sustainability and results of their investments, thus causing the shares offered by the company to be unsold on the stock market. Therefore, a good governance mechanism is needed to ensure that managers do not take actions that harm the company's stakeholders.

The findings by Fama and Jensen (1983) show that managers may implement policy that will benefit themselves, based on the premise that individuals have a self-interest behavior. These actions will stimulate conflict in the process of managing and controlling the company. Therefore, certain mechanisms are needed to convince investors that managers do not take deviant actions and cause losses to shareholders. Thus, investors will be confident they can obtain optimal returns from their investments.

Based on agency theory (Jensen & Meckling, 1976), an alternative to reducing agency conflict is to implement corporate governance (CG). CG is believed to be one of the main factors to increase economic efficiency, which regulates the pattern of relations between company management, the board of commissioners, shareholders, and other stakeholders. Sanda et al. (2010) found that good governance can increase the value-added for stakeholders. The CG mechanism can align the different interests between principals and agents and can be an effective protection for funders to gain their investment and returns.

Ulum (2015) states that information disclosure will also reduce agency conflict caused by asymmetry information. Signaling theory explains that a company will intentionally reveal a signal of their superiority to the market, thus the market is able to provide differences between companies that are performing well and those that are not. Information presented to the market is not only mandatory, but also voluntary. This is to give a constructive indicator to the investor that the management pays attention to shareholder information needs (Widarjo, 2011). So, it is expected to increase investor trust and has an impact on increasing firm value.

Previous studies were eager to investigate the impact of the CG mechanism on company value because the results of previous research had not provided conclusive results. Some study results show that the CG mechanism has a positive effect on firm value, though many have found that the CG mechanism does not affect the firms value (Mollah et al., 2012; Guo & Kumara, 2012; Haji, 2014; Ali & Miftahurrohman, 2014; Rodriguez-Fernandez et al., 2014; Al-Amarneh, 2014; Bhatt & Bhattacharya 2015). Therefore,

this study combines in one research model the association between intellectual capital disclosure and corporate governance mechanisms toward firm values.

Agency problems occur because of the asymmetry information between management and shareholders (Jensen & Meckling, 1976). Therefore, it is hoped that the broader ICD disclosure and implementation of corporate governance will increase the market value based on the signaling theory and stakeholder theory, which explains that companies will voluntarily provide information on their competitive advantage as a positive signal to the market and efforts to fulfill stakeholder rights. The companies, including banks that are able to manage their resources and implement good corporate governance will achieve the organization's goal, namely, to increase the value of the company. Therefore, it is important to examine whether intellectual capital disclosure and implementation of good governance will contribute to the firm value in the new economy.

2. Literature Review

2.1. Intellectual Capital Disclosure

Saleh et al. (2009) state that traditional accounting causes a failure to report knowledge assets, even though knowledge assets are the most important assets in an organization (Akhavan et al., 2014). Therefore, an appropriate approach to increase the usefulness of financial statements by increasing disclosure about knowledge assets is called for (Rahman et al., 2020).

Since 2000, researchers and practitioners have begun to consider the company's intellectual capital disclosure (ICD) in their annual reports (Guthrie et al., 1999; Petty and Guthrie, 2000; Goh and Lim 2004). Guthrie et al., (1999) have examined the use of content analysis as a research method in understanding intellectual capital disclosure. They finally concluded that content analysis is one of the most widely used research methods to investigate the frequency and type of IC reporting. Management of companies that have a good value of resources including IC will attempt to signal this fact by disclosing more IC information in the financial statements to its stakeholders. Thus, investors will respond to this information through their investment decisions, which are reflected in the value of the company. In addition, disclosure of information about ICs can enable users of that information to better determine the future value of the business, which might potentially increase the stock price in the market (Anam et al., 2011).

Signal theory, formulated by Ross (1977), explained that the company is encouraged to distribute comprehensive information regarding corporations to prospective investors to increase stock prices. Based on this theory, corporations will try to give signals to the market using positive

information to potential investors through various channels, including financial statements and annual reports (Widarjo, 2011). Williams (2001) argues that the presentation of intellectual capital is able to show the company's potential in the future. In addition, intellectual capital disclosure can help investors make an appropriate valuation of the company and reduce the perception of investment risk. Fukuyama (1999) stated that the relevance value of information can be measured through the ability to reveal good news in order to increase its investment.

2.2. Corporate Governance

Solikhah et al. (2017) define corporate governance as a concept of governance that is popular and widely applied in the management of modern organizations. Furthermore, Butt and Hasan (2009) and Solikhah, et al. (2017) discuss corporate governance as a philosophy and mechanism related to value creation for shareholders. Sanda et al. (2010) argue that corporate governance allows related parties to ensure managers and other internal parties carry out their duties to protect the interests of stakeholders.

Research on the CG variables has received considerable attention from researchers from various countries to investigate its impact on corporate value. Some examples of CG variables that have been studied include managerial ownership, institutional ownership, independent board of commissioners, and audit committees. The research conducted by Kamardin (2014) and Sienatra et al., (2015) found that the Corporate Governance mechanism had a significant positive effect on firm value. While the study of Mollah et al. (2012), Guo and Kumara (2012), Haji (2014), Ali and Miftahurrohman (2014), Ambarwati and Stephanus (2014) did not find a significant effect of the CG mechanism on firm value.

CG can provide assurance to investors that the agent will manage the company efficiently, so as to increase investor prosperity as reflected in rising share prices. According to Jensen and Meckling (1976), various corporate governance mechanisms can be implemented by companies to reduce agency costs. Therefore, the CG mechanism is expected to give the confidence that managers will not act in a manner that harms investors. Jensen and Meckling (1976) further state that managerial ownership and institutional ownership as part of the CG mechanism can be used to reduce agency costs. Previous studies on CG mechanisms used the number of commissioners, the proportion of independent commissioners, and the number of board meetings as indicators (Solikhah, et al., 2017).

In Indonesia, the concept of good corporate governance (GCG) began to be popular since the 1997 economic crisis, while in the banking sector, regulations regarding the implementation of corporate governance were issued by the

Central Bank, namely, Bank Indonesia in 2006. However, the CG implementation faces many obstacles; so many banks have not been able to apply good corporate governance as a whole. Subsequently in 2011, the Minister of State-Owned Enterprises issued regulations regarding the implementation of good corporate governance. In 2011, the government also issued a new regulation concerning the assessment of good corporate governance factors contained in Bank Indonesia Regulation No. 13/1 / PBI / 2011 concerning the assessment of the performance of commercial banks. This study seeks to investigate how the application of CG in banking since the issuance of those regulations.

2.3. Hypothesis Development

2.3.1. The Influence of Intellectual Capital Disclosures toward Firm Values

Voluntary Intellectual Capital Disclosure is a positive signal for the capital market that allows management to provide information about intangible assets (Ulum, 2015). The intellectual capital information is important for capital markets and external stakeholders in order to increase their understanding of the company's competitive position (Ulum, 2015). Intangible reporting aims to inform the investors about the competitive advantages possessed of the company (Solikhah, 2015). Rahman et al. (2020) found that intellectual capital disclosure positively associate with company performance. Ulum (2015) shows that there is a positive effect between the intellectual capital disclosure on the firm's value. The first hypothesis is stated as follows:

***H1:** Intellectual capital disclosure has a significant positive effect on firm value*

2.3.2. The Effect of Managerial Ownership on Firm Values

Jensen and Meckling (1976) argue that the concentration of share ownership and increasing supervision can reduce the conflict among management and owners. This conflict is reduced because when the proportion of share ownership by management increases, the interests of shareholders and management become similar. Therefore, one way to reduce agency costs arising from conflicts of interest is by increasing managerial ownership (Jensen & Meckling, 1976). When agents own a large percentage of the company's shares, they tend to reduce disputes over interests with owners. Shares owned by the manager are seen as effective in reducing management moral hazard and encourage management to work more proactively in realizing the prosperity of shareholders through increasing corporate value (Khanifah et al., 2020). Previous studies by

Kamardin (2014) and Sienatra et al. (2015) confirm that, if the company's shares are also owned by the manager, the market capitalization will increase. Hence, the second hypothesis is proposed as follows:

H2: Managerial ownership has a positive effect on firm value

2.3.3. The Effect of Institutional Ownership on Firm Values

Based on agency theory, one way to reduce agency costs is to increase institutional ownership. Hariati and Rihatiningtyas (2015) assert that institutional investors able to control management through an effective monitoring mechanism. Thus, management actions that have the potential to harm shareholders can be reduced. In addition, institutional investors can monitor the effectiveness of the management of company resources as reflected through share prices. Compared to individual investors, institutional investors are more supportive of monitoring significant policies made by management. Institutional investors are seen as having professionalism in analyzing information so that it can test the reliability of information. Sienatra et al. (2015) show that institutional ownership has a positive effect on firm value. The third hypothesis is proposed as follows:

H3: Institutional ownership has a significant positive effect on firm value

2.3.4. The Effects of the Independent Board of Commissioners' Proportion on Firm Values

Fama and Jensen (1983) explain that an independent commissioner can be a mediator in disputes between company managers and the board of commissioners. The duty of the board of commissioners including independent commissioners is to oversee management policies and provide advice to the management. The higher proportion of independent directors will encourage better monitoring activities (Hariati & Rihatiningtyas, 2015). An independent commissioner is a party that has no relationship with the company, so it is expected to be impartial and can oversee important company activities. Independent commissioners are expected to be able to foster an objective climate and work environment. Independent commissioners are expected to encourage the fairness and equality of various interests including minority shareholders and other stakeholders (Machmuddah et al., 2017). Kamardin (2014) proves that the proportion of independent commissioners has a positive effect on firm value. The fourth hypothesis is proposed as follows:

H4: The proportion of independent commissioners has a significant positive effect on firm value

2.3.5 The Influence of Audit Committee Size on Firm Values

Based on the government regulations, the audit committee has a duty to ensure that the financial statements have been in accordance with the rules and regulations. Thus, the more members of the audit committee, the more efficient the level of supervision carried out. So, that fraudulent financial reporting can be minimized. The more members of the audit committee indicate that the level of ability, knowledge, and experience will be more varied, so that the expected supervision will be more effective and able to prevent fraud in terms of financial reporting. In addition, the number of audit committee members can also be as a signal for investors that the company implements a good governance. According to Arifah (2012) the audit committee acts as a controlling tool in the CG mechanism. Thus credible financial statements will make investors believe and reduce their doubts to invest in the company. The discussion above gives a hypothesis of a positive relationship between the size of the audit committee and firm value and the hypothesis is proposed as follows:

H5: The size of the audit committee has a significant positive effect on firm value

2.3.6. The Influence of Audit Committee Meetings Frequency against Firm Values

Based on Haji (2015), one of the methods used to assess the effectiveness of audit committees is by looking at the frequency of meetings in a year. Audit committee meetings are coordination between its members in order to carry out their duties effectively in terms of supervision of financial reports, corporate control, and the implementation of corporate GCG (Machmuddah et al., 2017). The more meetings conducted by the audit committee indicate that the audit committee is working earnestly in maintaining the company from bad governance practices and overseeing the reliability of financial reports. The frequency of audit committee meetings also shows the desire of its members to fulfill their responsibilities and duties in creating corporate value (Uzliawati et al., 2014). So, that the large number of audit committee meetings indicate that they work seriously and are expected to increase firm value (Dang et al., 2020). The sixth hypothesis is proposed as follows:

H6: The frequency of audit committee meetings gives a significant positive effect on firm value

3. Methodology

The samples of this research are 31 commercial banks listed on the Indonesian Stock Exchange during 2011-2014. Banks are chosen with consideration that banking is a high-tech industry that has high intangible resources. This study employs a market-based measurement for firm value, because it is reflecting the current value in the market. Our study makes important contributions to the existing literature and differs from previous research in measure intellectual capital disclosure. We modified a questionnaire developed by Guthrie et al. (1999) and Ulum (2015), then we adding 11 items regulated by The Financial Services Authority Number: Kep-431/BL/2012 concerning the submission of an Annual report of Listed Companies. The process of identifying intellectual capital disclosures used content analysis with four-way numerical coding system: 0 = items not disclosed in the annual report; 1 = item expressed in narrative form; 2 = items expressed in numeric form; 3 = item expressed in monetary value. Then, the intellectual capital disclosure is grouped into three categories, namely, human capital, structural capital, and relational capital. The methods for analyzing data were descriptive statistical analysis and ordinary least square regression. The elaboration of the operational definitions of each variable used in this study is presented in Table 1.

4. Results and Discussion

4.1. Descriptive Statistics

From Figure 1, this study concludes that most banks in Indonesia reveal intellectual capital items in the narrative disclosed on average as much as 40%, but most others do not disclose intellectual capital. A business in a knowledge and technology era that is growing rapidly encourages the increasing needs of stakeholders for broader disclosure. Important information needed by stakeholders, especially (potential) investors, sustains the company's ability to develop into the future. This potential is the company's ability to manage knowledge (intellectual capital) and its resources in order to increase business productivity and efficiency in the context of value creation. Annual reports can be expected to meet the information needs of stakeholders.

The highest IC disclosure is human capital such as employee demographics, while structural capital and relational capital are not much disclosed by the banking sector. IC disclosures that are too detailed may jeopardize the company's competitive advantage. Meanwhile, minimizing IC information is seen as a management effort to maintain the competitive advantage that has been earned so as not to be imitated by competitors. Table 2 shows the minimum value, maximum value, average, and standard deviation from each variable.

Table 1: Variables Measurement

Variable	Symbol	Measurement
Intellectual Capital Disclosure (X_1)	ICD	The total disclosure of information about intellectual capital presented in the company's annual report divide by cumulative score of 64 items. See appendix 1
Managerial Ownership (X_2)	MO	Percentage of share ownership by managers, commissioners, and boards of directors and parties directly involved in making decisions.
Institutional Ownership (X_3)	IO	Proportion of share ownership by financial institution investors such as insurance companies, banks, investment companies, and ownership of other financial institutions.
Proportion of Independent Board of Commissioners (X_4)	BoC	The number of independent commissioners divide by all members of the board of commissioners of the company
Audit Committee (X_5)	AC	The number of Audit Committee members in the company
Frequency of Audit Committee Meetings (X_6)	ACM	ACM = The number of audit committee meetings in a year
Firm Value (Y)	LnMCAP	The market value of share measure using the closing price of the stock at the end of March on years $n+1$ multiplied number of outstanding shares

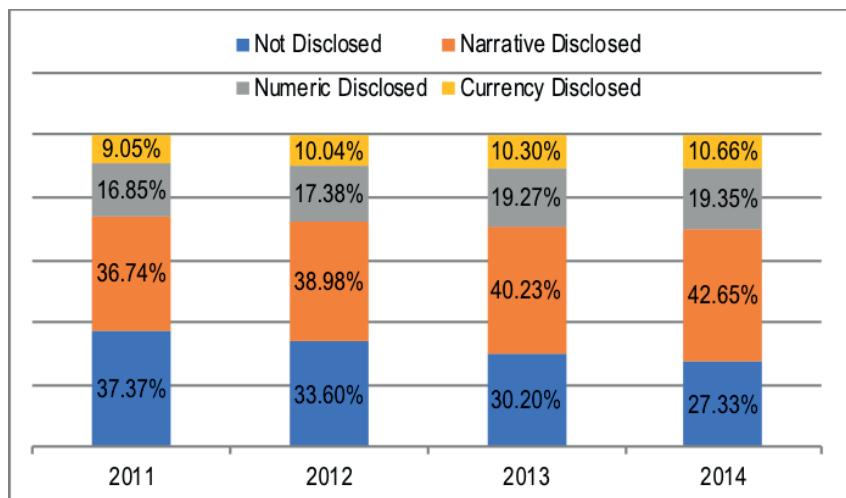


Figure 1: Intellectual Capital Disclosure by Category

Table 2: The Description of Research Variable

Variables	N	Minimum	Maximum	Mean	Deviation Std.
ICD	24	32.81%	79.69%	59.72%	10.38%
LnMCAP	24	26.63	33.52	29.49	1.86672
MO	24	0.00%	28.23%	1.47%	4.94%
IO	24	0.00%	99.94%	38.46%	36.58%
BoC	24	50.00%	100.00%	58.70%	9.40%
AC	24	3	8	4	1.194
ACM	24	1	46	13	9.086

Notes: LnMCAP: Firm Value, ICD: Intellectual Capital Disclosures, MO: Managerial Ownership, IO: Institutional Ownership, BoC: Proportion of Independent Commissairs Board, AC: Audit Committee, ACM: Frequency of Audit Committee Meeting.

Table 3: The Result of t-test

Hyp.	Variables	Unstandardized Coefficients B	Standard Error	Standardized Coefficients	P-Value	Predic.	Result	Noted
H1	ICD	5.731	.015	.319	0.000	+	+	Accepted
H2	MO	-3.091	1.129	-.082	0.219	+	-	Rejected
H3	IO	-0.495	2.501	-.097	0.143	+	-	Rejected
H4	BoC	-2.453	.336	-.123	0.056	+	-	Rejected
H5	AC	0.526	1.272	.336	0.000	+	+	Accepted
H6	ACM	0.046	.107	.224	0.004	+	+	Accepted

Dependent Variables: LnMCAP

Adjusted R Square = .340 Std. Error of the Estimate = .084

Notes: LnMCAP: Firm Value, ICD: Intellectual Capital Disclosures, MO: Managerial Ownership, IO: Institutional Ownership, BoC: Proportion of Independent Commissairs Board, AC: Audit Committee, ACM: Frequency of Audit Committee Meeting.

4.2. Hypothesis Testing

This paper examines the hypotheses using ordinary least square (OLS), path analysis and Sobel test. The overall research model has met the requirements of the classic

assumptions, which consist of normality, multicollinearity, autocorrelation, and heteroscedasticity. The research model has fulfilled the best linear unbiased estimator (BLUE) elements. Based on the statistical test result, the study proposes the following model:

$$\text{LnMCAP} = 25.068 + 5.731 \text{ ICD} - 3.091 \text{ MO} - 0.495 \text{ IO} \\ - 2.453 \text{ BoC} + 0.526 \text{ AC} + 0.046 \text{ ACM} + e$$

4.3. Discussion

Intellectual capital disclosure has a positive effect on firm value, so H_1 is accepted. This result supports the research conducted by Ulum (2015) and is aligned with the findings of the study by Rahman et al. (2020). Disclosure of intellectual capital is a positive signal about the company's superiority. The wider disclosure to the public, the higher the company's valuation by investors.

Intellectual capital is an information needed by investors to assess the company's ability to create wealth in the future (Goh & Lim, 2004). Another survey by Cuganesan (2005) found that almost 91% of respondents in the survey considered information about intellectual capital in economic decision-making. Until now, there are no regulations or guidelines for companies in reporting intellectual capital. Accounting standards in Indonesia only regulate intangible assets such as goodwill, trademarks, and patents. Meanwhile, the company reports intellectual capital voluntarily to meet the needs of (potential) investors. This is consistent with signal theory, the information offered by companies is important for investment decisions.

The corporate governance variables tested in this study consisted of managerial ownership, institutional ownership, proportion of independent board of commissioners, audit committee, and frequency of audit committee meeting. The empirical evidence from this study shows that the audit committee and frequency of audit committee meetings have a positive effect on market value, while the managerial ownership, institutional ownership, and proportion of independent committees board had no effect on market value.

Bank is a financial institution whose operational activities depend on funds entrusted by customers. The stability of a country's economy is also influenced by the performance of its banking system. Therefore, it is very important if the operational management and banking work principles are implemented corporate governance strictly.

Table 3 shows that, at the 5% significance level, it can be stated that managerial ownership does not affect the value of the company, so H_2 is rejected. The findings are contrary to agency theory (Jensen & Meckling, 1976). They explain that the higher managerial ownership will decrease the agency problem, furthermore the agency costs can be reduced. These results are in accordance with Mollah et al. (2012), Guo and Kumara (2012), Haji (2014), Ali and Miftahurrohman (2014), who also did not find the effect of managerial ownership on firm value. That is because the proportion of managerial ownership in most banks in Indonesia is low (in average 1.465%). Therefore, it is difficult to unify the interests of

shareholders and managers. The theory of stewardship explains that managers are not motivated by individual goals, but rather aim primarily at the goals benefiting the organization (Donaldson & Davis, 1991).

Institutional ownership variables have no effect on firm value, so H_3 is rejected. This result supports the research by Mollah et al. (2012), Ali and Miftahurrohman (2014), Ambarwati and Stephanus (2014). The percentage of large institutional ownership is not necessarily effective in monitoring manager behavior because of the differences in available information between investors and managers. Investors, including institutions, do not have as much information held by managers, so institutional investors find it difficult to control the policies conducted by managers. According to Ali and Miftahurrohman (2014), institutional ownership in Indonesia consists of affiliated holding companies so that, even though share ownership by outside institutions is high, it is dominated by parties affiliated with each other, so the control function of the institution is still weak.

The proportion of independent commissioners does not affect the firm value, so that H_4 is rejected. These results are in line with the research by Guo and Kumara (2012), Haji (2014). The role of the independent commissioners has not been maximized in monitoring management performance, so it has not been able to increase the value of the company. There is a suspicion that the appointment of an independent commissioner is only possible to fulfill the regulations required by the government.

The size of audit committee has a significant positive effect on firm value, so that H_5 is accepted. The large number of audit committee members allows a strict supervisory process on the financial statements, internal control systems, and better implementation of CG. The audit committee also has a role as a controlling tool in the corporate governance mechanism that has the power to increase firm value. The frequency of audit committee meetings was also found to have a positive effect on firm value, so that H_6 was accepted. Audit committee meetings are coordination between its members in order to carry out their tasks effectively. The higher frequency of audit committee meetings makes it possible to solve problems immediately.

5. Conclusion

The empirical evidence on intellectual disclosure practices by Indonesian listed banks show a strong tendency. The awareness of management from the banks listed on the Indonesia Stock Exchange in disclosing intellectual capital has increased throughout the research on a year-by-year average reporting of 60%. Intellectual capital reporting helps organizations to formulate business strategies by identifying and developing key performance indicators to

achieve a competitive advantage. The more IC indicators disclosed in the annual report, the easier for investors and potential investors to find out the prospects of the organization. However, IC disclosures by Indonesian banks are still dominated by human capital and firm's outputs-outcomes, which are seen in the financial and non-financial performance. Meanwhile, for structural and relational capital, it is still considered the organization's business secret. In this study, ICD proved empirically able to increase market capitalization. Therefore, management must be able to balance the interests between providing information for (potential) investors and maintaining the company's business strategy so that it is not imitated by the competitors.

Banks are required to operate with prudence and comply with regulations, which can be realized by implementing corporate governance. In this study, the authors provide evidence that the audit committee is a corporate governance mechanism that is proven to be able to increase market value. Corporate governance is a system that controls the company, protects the interests of stakeholders, and creates value-added for all stakeholders (Tahir et al., 2020). Besides, corporate governance can direct progress and trust in the financial system.

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Appendix 1: Intellectual Capital Disclosure Index

Category	Code	Disclosure Items	Scale	Cumulative Score
<i>Human Capital</i>	HC1	Number of Employees (M)	0-2	2
	HC2	Education Level (P)	0-2	4
	HC3	Employee Qualification (P)	0-2	6
	HC4	Employee Knowledge (P)	0-1	7
	HC5	Employee Competence (P)	0-1	8
	HC6	Education and Training (P)	0-2	10
	HC7	Related Type of Training (P)	0-2	12
	HC8	Employee Turnover (P)	0-2	14
<i>Structural Capital</i>	SC1	Vision-Mission (M)	0-1	15
	SC2	Code of Conduct (M)	0-1	16
	SC3	Patent (P)	0-2	18
	SC4	Copyright (P)	0-2	20
	SC5	Trademarks (P)	0-2	22
	SC6	Management Philosophy (P)	0-1	23
	SC7	Organizational Culture (P)	0-1	24
	SC8	Process Management (P)	0-1	25
	SC9	Information Systems (P)	0-2	27
	SC10	Network System (P)	0-2	29
	SC11	Corporate Governance (M)	0-3	32
	SC12	Whistleblowing System (P)	0-1	33
	SC13	Comprehensive Financial Performance Analysis (M)	0-3	36
	SC14	Debt Service Ability (M)	0-3	39
	SC15	Capital Structure (M)	0-3	42
<i>Relational Capital</i>	RC1	Brand (P)	0-1	43
	RC2	Customer (P)	0-2	45
	RC3	Customer Loyalty (P)	0-1	46
	RC4	Partner Company Name (P)	0-1	47
	RC5	Distribution Network (P)	0-2	49
	RC6	Business Collaboration (P)	0-1	50
	RC7	License Agreement (P)	0-3	53
	RC8	Profitable Contracts (P)	0-3	56
	RC9	Franchise Agreement (P)	0-2	58
	RC10	Award (M)	0-2	60
	RC11	Certification (M)	0-1	61
	RC12	Marketing Strategy (M)	0-1	62
	RC13	Market Share (M)	0-2	64

Notes: P (taken from previous research), M (modified by authors).

Scoring rules:

0 = item not disclosed in the annual report;

1 = item is expressed in narrative form;

2 = item is expressed in numerical form;

3 = the item is expressed in monetary value.