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The Effect of Corporate Governance Mechanism on Intellectual Capital Disclosure of High IC-Intensive Companies in Indonesia and Malaysia

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Abstract:
Research aims: This study examines the effect of corporate governance mechanisms, such as board size, CEO duality, number of the audit committee, board gender, and family ownership, on intellectual capital disclosures.

Design/Methodology/Approach: The sample study was high intellectual capital (IC)-intensive companies listed on the Indonesia Stock Exchange and Malaysia Stock during 2017-2018.

Research findings: For Indonesia, the results revealed that the number of the audit committee and board size had a positive and significant effect on intellectual capital disclosures. Meanwhile, in Malaysia, the results showed that audit committees had a positive and significant effect on intellectual capital disclosures.

Theoretical contribution/Originality: This study adds literature on the effect of corporate governance mechanisms on intellectual capital disclosure of high IC-intensive companies in the development of the country context.

Keywords: Intellectual Capital Disclosure; Corporate Governance Mechanism; High IC-Intensive Companies

Introduction

The ASEAN Economic Community (AEC) emergence has made businesses many ways to meet stakeholder expectations. One of them is by revealing the company’s competitive advantages. Especially in a competitive economic environment globally, intellectual capital disclosure becomes essential for the company as it explains various activities (Anggeline & Novita, 2020). In 2017, Indonesia’s human capital index as part of intellectual capital was still low, with a score of 62.19. Although Malaysia’s score was higher at 68.29, it was still below compared to other Southeast Asian countries, such as Singapore, with a score of 73.28 (World Economic Forum, 2017). This matter indicates that companies in Indonesia and Malaysia still have low concern for capital intellectual. In this case, various factors, including corporate governance, can influence annual reports’ increasing relevance by disclosing intellectual capital. Corporate governance (CG) also affects the level of intellectual capital disclosure (Ahmed Haji & Mohd Ghazali, 2013).
According to the Organization for Economic Cooperation and Development (OECD), corporate governance directs and regulates companies’ systems. The corporate governance mechanism variables include board size, CEO duality, audit committee, board gender, and family ownership. Several previous studies have shown the influence of the CG mechanism on intellectual capital disclosure, as conducted by Hidalgo et al. (2010), Taliyang and Jusop (2011), Arifah (2012), and Rodrigues, Tejedo-Romero, and Craig (2016). Rodrigues et al. (2016) found that intellectual capital disclosure increased with firm size, multiple corporate governance models, industries listed on the sustainability index, and the board size to a maximum (excluding reduction in disclosure). Meanwhile, intellectual capital disclosure decreased due to CEO duality and a higher proportion of independent directors on the board.

Moreover, there is little research on intellectual capital disclosure in developing countries (Widarjo et al., 2019). Therefore, this study aims to fill the lack of literature on intellectual capital in developing countries, such as Indonesia and Malaysia. Building on previous research by Rodrigues et al. (2016), this study used the variables measuring CEO duality, the board size, audit committee, gender board, and family ownership since some previous studies did not use these factors. Furthermore, the theoretical contribution of this research is to add to the literature regarding the effect of corporate governance mechanisms on intellectual capital disclosure of high IC-intensive companies in Indonesia and Malaysia. Practically, it can be used by companies to advise on the effect of corporate governance mechanisms on intellectual capital disclosure that can increase the company value for stakeholders.

Literature Review and Hypotheses Development

Agency Theory

Agency theory is a relationship that occurs between the principal with the agent (Jensen & Meckling, 1976). In this case, the principal assigns agents to do something on behalf of the principal. When running in their duties, the agents are given the authority to make decisions. In addition, the principal issues agency costs as costs for overseeing all actions that agents run. Agency theory is also the basis for disclosing information on voluntary finance. Thus, the disclosure can be used as a controller for agent performance. One of the consequences encourages agents to disclose voluntary disclosures, such as intellectual capital disclosure. Agency theory can be extended to the disclosure of intellectual capital, in which extensive disclosure of intellectual capital provides more intensive monitoring for principals to reduce the opportunistic behavior of agents (Li et al., 2008).

Previous research Taliyang and Jusop (2011) found that the audit committee as one of the corporate governance mechanisms had a significant and positive effect on intellectual capital disclosure. The study was conducted by involving companies listed in Bursa Malaysia that were randomly selected consisting of five industries: information technology, consumer product, industrial product, trading/services, and finance. The
research showed that adopting corporate governance, such as audit committees, could reduce agency problems. Moreover, a study employing agency theory with a sample of Malaysian GLC’s listed in Kuala Lumpur Composite Index (KLCI) (Azman & Kamaluddin, 2012) uncovered that three corporate governance mechanisms, such as share concentration, cross directorship, and audit committee discover, had a positive effect on intellectual capital disclosure. In Indonesia, a previous study with sample banking companies listed on the Indonesia Stock Exchange (IDX) in 2016 (Anna & Dwi, 2018) also found that firm size, audit committee, and board size had a significant and positive influence on intellectual capital disclosure. Besides, according to agency theory, disclosure is a mechanism that can reduce costs resulting from conflicts between managers and shareholders (compensation contracts) and conflicts between companies and their creditors (debt contracts).

The Effect of Board Size on Intellectual Capital Disclosure

Board size is the number of members of the board of directors. Board size significantly affects efficiency, effectiveness, and management oversight (Hidalgo et al., 2010). The board size in a company also has an impact on company performance. Based on Resource-Based Theory, it is explained that the larger the board size will increase capabilities and provide a broader perspective in decision making. The larger the board size will also increase the monitoring capacity in handling organizational activities. It is supported by Abeysekera (2010) and Hidalgo et al. (2010) in Kenya and Mexico.

Previous research by Hidalgo et al. (2010) revealed that when the board size reached 15 members, it would have a negative impact on the level of intellectual capital disclosure. Besides, Cerbioni and Parbonetti (2007) and Arifah (2012) found a negative effect between board size on intellectual capital disclosure. Meanwhile, a study conducted by Moeinifar et al. (2013) showed that board size was positively related to intellectual capital disclosure. In other words, the board size affected the intellectual capital disclosure. It means that the more the number of boards of directors in a company, the wider the intellectual capital disclosure (Anggeline & Novita, 2020).

The board’s ability to control and drive added value will increase as the board members’ number increases. Because of this, the larger the board size creates conducive conditions for increasing intellectual capital disclosure. Based on the description above, the hypotheses that could be formulated are as follows:

\[ H_{1a}: \text{Board size has a significant positive effect on the level of intellectual capital disclosure in Indonesia.} \]

\[ H_{1b}: \text{Board size has a significant positive effect on the level of intellectual capital disclosure in Malaysia.} \]
The Effect of CEO Duality on Intellectual Capital Disclosure

CEO duality is a situation where the head of the board (COB) in a company also serves as CEO at the same time. In fact, the roles of the CEO and the COB should be separated as an international requirement for corporate governance. Agency theory is a two-party relationship between principal and agent, and this theory suggests that companies should not be led by one party who plays two roles as CEO and COB (Palanissamy, 2015). The duties’ separation purpose between the CEO and the COB is to reduce agency costs and increase transparency. It also will reduce the opportunity to withhold information that should be disclosed.

Previous research, Rodrigues et al. (2016) unveiled that CEO duality negatively correlated to intellectual capital disclosure. In addition, Taliyang and Jusop (2011) revealed no relationship between CEO duality and intellectual capital disclosure in Malaysia. Based on the explanation above, the CEO and COB roles should be separated. A dominant personality in leading a company can give loss to shareholders’ interests, which is associated with insufficient disclosure. From the description above, the hypotheses that could be taken are as follows:

$H_{2a}$: CEO duality has a significant negative effect on the level of intellectual capital disclosure in Indonesia.

$H_{2b}$: CEO duality has a significant negative effect on the level of intellectual capital disclosure in Malaysia.

The Effect of the Audit Committee on Intellectual Capital Disclosure

An audit committee is an internal control mechanism that controls agency issues between managers and investors. The audit committee makes the relationship between the board and the internal auditors more effective. The audit committee also ensures that companies disclose information based on existing regulations to reduce agency costs. Li et al. (2007) stated that the increasing number of audit committees shows the extent of intellectual capital disclosure. The audit committee is also an effective internal controller to increase intellectual capital’s relevant value and disclosure (Indah & Handayani, 2017). The audit committee can be a part of a corporate governance mechanism that can influence the intellectual capital disclosure in a company (Wahyuni & Rasmini, 2016).

Moreover, the audit committee has a major responsibility in overseeing intellectual capital disclosure. It plays a control role in corporate governance mechanisms to increase disclosure related to firm value based on agency theory. It is reinforced (Hardiani et al., 2017) that indicators of corporate governance mechanisms with audit committees had a positive effect on intellectual capital disclosure. The audit committee is also authorized to access records or information related to employees, funds, assets, and other resources related to their duties’ performance (BAPEPAM, 2012). In addition, audit committees can be proxied by the total number of members on the audit committee; the more members,
the more knowledge and different skills can be shared and can reduce the potential shortage of human resources. Based on the description above, the hypotheses that could be proposed are as follows:

\( H_{3a} \): The audit committee has a significant positive effect on the level of intellectual capital disclosure in Indonesia.

\( H_{3b} \): The audit committee has a significant positive effect on the level of intellectual capital disclosure in Malaysia.

The Effect of Board Gender (Presence of Female Directors) on Intellectual Capital Disclosure

Gender differences in the board of directors generate more competencies and expertise. Gender composition is considered necessary in improving the collective intelligence of the board of directors in the EU corporate governance framework (EC, 2011). Referring to Resource-Based Theory, female directors’ existence will increase the diversity of opinions, improve decision-making and leadership styles, and present a competitive advantage by enhancing its image among stakeholder groups (Burgess & Tharenou, 2002; Carter et al., 2003). According to Krishnan and Park (2005), women are considered to have cognitive feelings and a positive impact on the company’s value, encouraging information and resources’ disclosure, democratic leadership, and minimizing conflict.

Barako and Brown (2008) found that the women’s presence on boards at Kenyan banks positively correlated with the reporting level of corporate social information disclosed in annual reports. In this regard, one of the board’s roles is to determine the voluntary disclosure level, including intellectual capital disclosure. Research conducted by Fernandez-Feijoo et al. (2012) in Japan, Australia, and the United Kingdom showed that the proportion of female directors positively impacted voluntary disclosure. Besides, a female director is considered capable of increasing the disclosure level of voluntary information. It is because this information disclosure will have a positive impact on increasing company value. Based on the description above, the hypotheses that could be taken are as follows:

\( H_{4a} \): Board gender has a significant positive effect on the level of intellectual capital disclosure in Indonesia.

\( H_{4b} \): Board gender has a significant positive effect on the level of intellectual capital disclosure in Malaysia.

The Effect of Family Ownership on Intellectual Capital Disclosure

Anderson and Reeb (2003) asserted that family ownership could be called ownership of a company or business by which one or several members of the company’s board are
defined by the family. According to Lasturi Sinaga and Sudarno (2018) companies with large family ownership can reduce the occurrence of information asymmetry between the owner and the agent. This is because the dominating family ownership can act as a supervisor and implementer of the company’s operational activities and provide encouragement to managers to disclose good intellectual capital.

Subsequent research conducted by Woodcock and Whiting (2009) stated that large share ownership would influence agency costs. Supervisory actions taken by shareholders would reduce agency costs. One of the pressures shareholders exert on managers is the pressure to disclose information, such as intellectual capital information. Besides, there are supervisory measures taken to prevent fraud by managers and inhibit conflicts and information asymmetry.

Based on the description above, the hypotheses that could be proposed are as follows:

**H_{5a}:** Family ownership has a significant positive effect on the level of disclosure of intellectual capital in Indonesia.

**H_{5b}:** Family ownership has a significant positive effect on the level of disclosure of intellectual capital in Malaysia.

**Intellectual Capital Disclosure in Indonesia and Malaysia**

Intellectual capital disclosure is a voluntary disclosure employed by management to reduce information assumptions. Regarding this, territorial boundaries and the country’s legal system can be one of the factors that explain the voluntary disclosure level. Web et al. (2008) affirmed that the relationship between globalization and voluntary disclosure could be related to the country’s legal system where the company comes from. These indexes have been employed for research in Malaysia and adopted on Malaysian culture. They are quite relevant because the cultural and business environments in Indonesia and Malaysia are almost the same, seeing Indonesia and Malaysia are developing countries, in which Indonesia is still a lower-middle-income country, while Malaysia is an upper-middle-income country (Djafar, 2012).

Companies originating from countries with the standard law system have a higher pressure than countries with civil law systems to make adequate disclosures. Besides, globalization has the advantage of increasing the disclosure level for the common law system and civil law. In this case, Indonesia uses the civil law system, while Malaysia employs the common law system.

Research related to intellectual capital disclosure by comparing two different countries has been widely practiced. Ulum et al. (2016) tested and compared intellectual capital disclosure at universities in Indonesia and Malaysia. There were no differences between universities in Indonesia and Malaysia in disclosing information related to intellectual capital disclosure.
Based on the description above, the hypothesis that could be taken is as follows:

\( H_0: \) There are differences in the level of intellectual capital disclosure between Indonesia and Malaysia.

**Research Method**

**Research Design**

The study used high intellectual capital intensive (high-IC intensive) companies listed on the Indonesia Stock Exchange and the Malaysia Stock Exchange. The sample period was during the year 2017 - 2018. The type of data used in this study was secondary data through the method documentation. This method took document data sources, such as annual reports and summaries of financial statements, as a sample study. In addition, intellectual capital disclosure variables used 40 disclosures indexes developed by Ahmed Haji and Mohd Ghazali (2013). These indexes have been employed for research in Malaysia and adopted on Malaysian culture. They are quite relevant because the cultural and business environments in Indonesia and Malaysia are almost the same, seeing Indonesia and Malaysia are developing countries, in which Indonesia is still a lower-middle-income country, while Malaysia is an upper-middle-income country (Djafar, 2012). Moreover, there is little research on intellectual capital disclosure in developing countries (Widarjo et al., 2019). On the other hand, there is a significant increase in the intellectual capital disclosure over three years, analyzed with external capital, human capital, and internal capital (Oliveras et al., 2008).

**Variable Measurement**

The measurement of intellectual capital disclosure was classified into three categories: internal capital (nine items), external capital (17 items), and human capital (14 items) (Ahmed Haji & Mohd Ghazali, 2012). Then, the corporate governance mechanism variables included board size, CEO duality, audit committee, board gender, and family ownership. Besides, board size refers to the number of members on the company’s board of directors. In this study, the company board size was proxied by the total number of members on the board of directors (Rodrigues et al., 2016).

Meanwhile, CEO duality is a condition in which the head of the board of a company is also the CEO at the same time. This study’s CEO duality was proxied by a dummy variable, with a value of 1 if duality occurs and 0 if otherwise. Then, the audit committee refers to the number of members of the audit committee in a company. In this study, the company audit committee was proxied by the audit committee’s total number (Ahmed Haji, 2015). Also, the board gender is the women’s presence on the company’s board of directors. This study’s board gender was proxied by a dummy variable, with a value of 1 if there are women and 0 if vice versa.
Finally, family ownership refers to the total percentage of company ownership by family members at 10%. According to Siregar (2008), 10% of ownership is considered significant control over the company. In this study, family ownership was proxied by a dummy variable, with a value of 1 if ≥ 10% share ownership of one of the board of directors’ family members, and the value is 0 if otherwise.

Sample Determination

The study used high intellectual capital intensive (high-IC intensive) companies listed on the Indonesia Stock Exchange and the Malaysia Stock Exchange. The sample period was during the year 2017 - 2018. The method utilized in determining the sample was purposive sampling with the following criteria: companies with high intellectual capital intensive (company classification according to GICS) that published full annual reports in 2017 and 2018 and were listed on the Indonesia Stock Exchange and Malaysia Stock Exchange; the companies had complete data related to the research variables and 100 companies with the most considerable total assets.

Method of Analysis

Multiple regression analysis was employed in this study to see the independent variable’s comparative effect on the dependent variable. The regression equation is as follows:

\[
ICD = DUAL + BSIZE + ACCOM + GEN + FAMOWN + e
\]


Result and Discussion

This study used a sample of all high-intellectual capital of intensive companies listed on the Indonesia Stock Exchange and the Malaysia Stock Exchange. This study employed annual financial reports published in 2017 and 2018. Based on the purposive sampling method stipulated before, the total sample size of high-IC intensive companies that met the criteria was 169 for Indonesia and 194 for Malaysia. In detail, the sample selection for Indonesian companies was 317 Indonesia companies with high intellectual capital intensive (company classification according to GICS) that published full annual reports in 2017 and 2018 and listed on the Indonesia Stock Exchange; 137 companies did not have complete data related to research variables so that the data sample was 180, minus 11 data outliers. Meanwhile, in details, the sample selection of Malaysian companies was 409 companies, with high intellectual capital intensive (company classification according to GICS) that published full annual reports in 2017 and 2018 and listed on the Malaysia Stock Exchange; 192 companies did not have complete data related to research variables so that the sample data was 217, minus 23 data outliers.
Variable Description

Descriptive statistical analysis was utilized to determine the data description, seen from the minimum value, maximum value, average value (mean), and standard deviation.

Table 1 Descriptive Statistics of Indonesia and Malaysia

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indonesia</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board Size</td>
<td>169</td>
<td>3</td>
<td>13</td>
<td>6.20</td>
<td>2.29</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>169</td>
<td>2</td>
<td>9</td>
<td>3.49</td>
<td>0.93</td>
</tr>
<tr>
<td>Intellectual Capital Disclosure</td>
<td>169</td>
<td>0.48</td>
<td>0.78</td>
<td>0.59</td>
<td>0.07</td>
</tr>
<tr>
<td><strong>Malaysia</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board size</td>
<td>194</td>
<td>4</td>
<td>14</td>
<td>8.36</td>
<td>2.13</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>194</td>
<td>2</td>
<td>5</td>
<td>3.36</td>
<td>0.63</td>
</tr>
<tr>
<td>Intellectual Capital Disclosure</td>
<td>194</td>
<td>0.30</td>
<td>0.88</td>
<td>0.58</td>
<td>0.12</td>
</tr>
</tbody>
</table>

The descriptive statistic table of Indonesia shows the results of the descriptive statistics for 169 samples. The results revealed that the board size variable (BSIZE) had a minimum value of 3 and a maximum value of 13, with a mean value of 6. The audit committee variable (ACCOM) had a minimum value of 2 and a maximum value of 9, with a mean of 3. For the CEO duality variable, of a total of 169 companies, 26 companies practiced CEO duality. For the board gender variable, out of 169 companies, there were 99 companies in which women were the members of the board of directors. For the family ownership variable, out of 169 companies, 33 had company ownership, with ≥10% owned by the board of directors and their families. Then, the intellectual capital disclosure (ICD) had a minimum value of 0.48 and a maximum value of 0.78, with a mean value of 0.5940 and a standard deviation of 0.06656.

The descriptive statistic table of Malaysia displays the results of the descriptive statistics for 194 samples. The results uncovered that the board size variable (BSIZE) had a minimum value of 4 and a maximum value of 14, with a mean value of 8. The audit committee variable (ACCOM) had a minimum value of 2 and a maximum value of 5, with a mean value of 3. For the CEO duality variable, out of 194 companies, five companies practiced CEO duality. For the board gender variable, from 194 companies, there were 123 companies, in which there were women on the board of directors’ membership. For the family ownership variable, of the 194 companies employed, 21 of them had company ownership ≥10% by the board of directors and their families. At last, the intellectual capital disclosure (ICD) had a minimum value of 0.30 and a maximum value of 0.88, with a mean value of 0.5788 and a standard deviation of 0.12192.

Discussion of Research Results

The regression analysis utilized was multiple regression. It aimed to determine the magnitude of the relationship between the dependent and independent variables, know
the relationship’s direction, and obtain a regression coefficient to determine whether the hypothesis was accepted.

Table 2 T-Test for Indonesia and Malaysia

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indonesia</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO Duality</td>
<td>-0.025</td>
<td>0.141</td>
</tr>
<tr>
<td>Board Size</td>
<td>0.010</td>
<td>0.000*</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>0.012</td>
<td>0.014*</td>
</tr>
<tr>
<td>Board Gender</td>
<td>-0.001</td>
<td>0.903</td>
</tr>
<tr>
<td>Family Ownership</td>
<td>0.022</td>
<td>0.067</td>
</tr>
<tr>
<td><strong>Malaysia</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO Duality</td>
<td>0.014</td>
<td>0.802</td>
</tr>
<tr>
<td>Board Size</td>
<td>0.006</td>
<td>0.136</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>0.042</td>
<td>0.004*</td>
</tr>
<tr>
<td>Board Gender</td>
<td>0.022</td>
<td>0.228</td>
</tr>
<tr>
<td>Family Ownership</td>
<td>0.016</td>
<td>0.566</td>
</tr>
</tbody>
</table>

*Significant at alpha 5%

**The Effect of Board Size on the Level of Intellectual Capital Disclosure**

The first hypothesis results indicate that board size positively affected intellectual capital disclosure in Indonesia. It shows that hypothesis 1a was accepted. Based on resource dependence theory, it is explained that the greater the board size of directors will increase skills and provide a broader perspective in making decisions. The board size also provides increased supervisory capacity in regulating all organizational activities. It is supported by Abeysekera (2010) and Hidalgo et al. (2010) in Kenya and Mexico.

Even so, Malaysia shows that board size did not positively affect intellectual capital disclosure in Malaysia, indicating that hypothesis 1b was rejected. The difference in the use of financial standards and the legal environment is assumed to cause Indonesia and Malaysia’s research results. The rejection of hypothesis 1b is thought to be because more directors on the board will complicate the board’s decision-making. In addition, existing information is challenging to share and creates misunderstandings that lead to information asymmetry and agency problems. It also results in the spread of information more slowly and will reduce the usefulness of the information. Besides, educational background and experience in managing companies also affect board members’ quality (Abeysekera, 2010).

**The Effect of CEO Duality on the Level of Intellectual Capital Disclosure**

CEO duality refers to a condition where both the CEO and the chairman are the same person. In this study, the second hypothesis results signify that CEO duality between Indonesia and Malaysia did not affect the level of intellectual capital disclosure, so hypotheses 2a and 2b were rejected. These results are consistent with previous studies, where there was no relationship between duality and firm performance (Berg & Smith, 1978; Rechner & Dalton, 1989). The presence of duality in the company also did not affect
the level of intellectual capital disclosure. Even so, duality can reduce company information. Still, it can also improve company performance as it provides the company with CEOs and chairpersons who have the knowledge and experience to make better decisions on time.

In this research, CEO duality also did not influence ICD in Indonesia and Malaysia. It assumes that because of the policies governing the CEO and the chairman, it must be separated. The Malaysian Code of Ethics on Corporate (MCCG) recommends separating the CEO and chairman positions to ensure a balance of power and authorization so that no individual has the authority to make decisions. It is hoped that the code will lead to a more independent board that can provide essential checks and balances on management performance (Rahman & Haniffa, 2005).

**The Effect of the Audit Committee on the Level of Intellectual Capital Disclosure**

The audit committee plays an essential role in ensuring that the financial disclosure processes follow applicable regulations (PwC, 2000). Audit committees effectively oversee the company’s financial reporting and disclosure and limit opportunistic management behavior (Akhtaruddin & Haron, 2010). Thus, the audit committee size will act as a powerful oversight tool to increase voluntary disclosures, such as intellectual capital.

For the third hypothesis results, in Indonesia and Malaysia, it was shown that the number of audit committee members had a significant positive effect on the level of ICD. It indicates that hypotheses 3a and 3b were accepted. This study’s results corroborate previous research that the audit committee size is a significant determinant of financial reporting quality Ahmad-Zaluki and Nordin Wan-Hussin (2010) and IC disclosure practices (Li et al., 2012). The audit committee and the ICD level’s positive effect denotes that the audit committee size can spread information about what should be disclosed in the financial statements. Audit committee skills can also indicate the advantages of releasing information on the hidden value of the firm. Besides, large groups tend to be resourceful and cover individual weaknesses, resulting in an enhanced monitoring role (Ahmed Haji, 2015).

**The Effect of Board Gender (Existence of Female Directors) on the Level of Intellectual Capital Disclosure**

Gender differences in the directors’ board result in more competence and expertise. Based on the nature theory, men and women are born with different genetics, which affects the character and paradigm in making decisions. In this study, the fourth hypothesis results indicate that women’s presence on board membership did not affect the level of ICD, so hypotheses 4a and 4b were rejected.

In other words, board gender (existence of female directors) did not influence ICD in Indonesia and Malaysia. It is assumed that women’s lack of influence is thought to be because women tend not to take risks as men; thus, women have a lower percentage in
some positions than men (Charness & Gneezy, 2007). These results align with Swartz and Firer (2005) research, which examined the effect of women’s board presence on firm performance.

**The Effect of Family Ownership on the Level of Intellectual Capital Disclosure**

Regarding the fifth hypothesis results, it was found that family ownership did not affect the level of ICD in Indonesia and Malaysia. It is assumed to occur because of a concentrated ownership structure, where family members usually served as members of the board of directors or company management. There was a tendency that the company would be able to minimize agency problems in the company. Therefore, the agency costs that arose did not reduce the company’s value and its performance.

This result contradicts the research of García-Ramos and García-Olalla (2011), Ibrahim and Samad (2011), and Maury (2006) which revealed that with family ownership, company performance could be improved for the better.

**Intellectual Capital Disclosure in Indonesia and Malaysia**

The sixth hypothesis results indicated no difference in the level of intellectual capital disclosure in Indonesia and Malaysia. These results signify that hypothesis 6 was rejected. It is assumed that Indonesia and Malaysia have a lot in common. As ASEAN members, they have implemented the ASEAN Economic Community (AEC) to improve its 56 member countries’ economies. These results are consistent with previous studies (Ulum et al., 2016), where there was no significant difference between Indonesian and Malaysian in higher education. There was no difference since the number of IC in Indonesian and Malaysian higher education was relatively the same, only differed in how the items were presented.

Based on the IMF (IMF, 2016) in the World Economic Outlook Report in October 2016, Indonesia and Malaysia were still developing countries. Hence, developing new investments based on intangible assets can add value to the company and attract investors.

**Conclusion**

The data analysis results showed that the audit committee had a significant and positive effect on intellectual capital disclosure in Indonesia and Malaysia. Board size also had a significant and positive effect on Indonesia’s intellectual capital disclosure. However, board size did not affect the level of intellectual capital disclosure in Malaysia. Then, CEO duality did not affect the level of intellectual capital disclosure in Indonesia and Malaysia. Meanwhile, the audit committee had a significant positive effect on intellectual capital disclosure in Indonesia and Malaysia. Besides, the presence of women on board members did not affect Indonesia and Malaysia’s intellectual capital disclosure level. Family ownership also did not affect the level of intellectual capital disclosure in Indonesia and
Malaysia. At last, there was no difference in the level of intellectual capital disclosure in Indonesia and Malaysia.

This research provides a theoretical contribution to agency theory development. This research results can also confirm agency theory in the alleged second hypothesis that CEO duality did not affect intellectual capital disclosure. It indicates that CEO and COB in the company must be separated because of differences in their respective roles. This theory emphasizes that companies cannot be led by one person who doubles as CEO and COB.

However, this research was conducted with several research limitations, where these limitations could affect the study's results. This study's limitations are as follows. This study only compared two countries, Indonesia and Malaysia, and it was only conducted on companies listed on high intellectual capital (IC)-intensive companies listed on the Indonesia Stock Exchange and Malaysia Stock during 2017-2018.

Based on these limitations, here are some suggestions for improvement in further research. Further research can increase the number of samples used so that the study's results can reflect the actual conditions. Besides, further research can look for other variables that may be more relevant and affect intellectual capital disclosure. Also, further research can use samples from other countries that are different from this study.

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The Effect of Corporate Governance Mechanism ...


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