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Tanzil Hoque

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THE IMPACT OF THE SIZE OF INTELLECTUAL CAPITAL DISCLOSURE TO RELATIONSHIP BETWEEN CORPORATE PREFORMANCE AND STOCK PRICE

Ardiansyah*

Abstract: *This research has detected that the intellectual capital disclosure can affect to the relationship between earning and share price. The intellectual capital disclosure can clearly depict the prospect of corporate for the financial future performance. From this research,we can find that the capital market can be obviously affected by the information contents from intellectual capital disclosure. And it is necessary for companies to be more transparent and attractive in order to the listed companies in Indonesia stock market can be predicted by all investors. This means that thing is to be useful to affect the market, besides, it could impact the investor's perceiving and also the other interested parties. Truly, this research would like to find the connection between the future earning and current stock prices by using linear modeling.*

Keywords: Intellectual Capital, Disclosure, Stock Price

I. Background

The financial statements present financial information in order to provide a picture of a company's actual performance. The financial statements represent the financial information resulting from an accounting process. In general, the financial statements relied upon by market participants and this is information that supports decision-makers in investing in capital market. They have an interest in the corporate's potential in the future. The final product of the accounting process is accounting and it only emphasis on results to the number of monetary measures. some problems from accounting are difficulties of measurement on intangible assets sides and they can not present by monetary term.

This difficulties can be called The constraint of financial reporting, but this problem can be reduced or avoided by using a voluntary disclosure (voluntary disclosure) as additional information on the financial statements (supplementary information). It means that the thing can be disclosed explicitly in a financial report at supplementary disclosure.

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The voluntary disclosure is more revealing of qualitative information and things that are not tangible assets owned by the corporate which is potentially an important part of the corporate. Actually, the intangible assets are accounted, because the assets are big energy to accelerate the growth of the company, but this does not entirely show on the financial statements.

The accuracy of financial information will be able to produce a higher quality decisions. That condition depends on the presentation of such information, which means with more transparent on financial statements presentation. that kind of information will provide a guarantee to all of decision makers. Transparancy of presentation could be as a voluntary disclosure that can be presented through the supplementary information in the form on qualitative sides. With a supplementary information can be more prominently completed and the report will be able to provide a guarantee to investors and having more predictive value for investors. Because of this information is morely stressing the potency of corporate in the future.

The financial information is something that can provide added value to its readers, which is particularly to investors or creditors, such as picture corporates regarding their recognition of intellectual property (intellectual capital assets). Disclosure of intellectual capital is a new paradigm. This indicates that the agents are eager to presention of the corporate's financial information. Investors face some problem to read clearly the financial statements. By presenting the corporate's intangible assets, the corporates have reduced the information asymmetry that might be occurence in the capital market.This presentation has replaced the conventional thinking that only focus on the wealth of physical property.

Kavida and Sivakoumar (2008) stated in their article, such as : "*In the past, the corporate value was mostly measured by the tangible assets reflected in the book value of the companies. In the knowledge-based economy numerous corporate organizations have utilized Intellectual Assets for their competitive advantage to create corporate value. The value created by Intellectual Assets is often not reflected in the financial statements of these companies. The growing difference between book*

value and market value of companies could perhaps explain the role of Intellectual Assets (Kavida dan Sivakoumar:2008).

The problem formulation from the research are :

1. Is there a positive relationship between corporate performance and stock price ?
2. Is there a positive relationship between the size of intellectual capital disclosure and stock price ?
3. Does the size of intellectual capital disclosure positively impact to relationship between the corporate performance and stock price ?

II. Theoritical Review

Petty dan Guthrie (2000) have been observed about the benefit of intellectual capital to contribute to enterprise value and national economic performance. IASB (2008) define that "*Intellectual Capital is "an intangible asset which is an identifiable non-monetary asset without physical substance*". Lev (2001) stated : "*An intangible asset is a claim to future benefit that does not have a physical or financial (a stock or a bond) embodiment*". And also Sullivan (2000) define "*Intellectual Capital is a knowledge that can be converted into profit*".

III. The Research Modelling

$SP_t = \alpha + \beta 1\ ROA_{t-1} + \beta 2\ ICDI_{t-1} + \beta 3\ D_{t-1} ROA_{t-1} + \varepsilon_t$

SPt = *Stock Price* at the current period
α = Constant
β = Regression Coefficient
ROA t-1 = Corporate Performance at the previous period
$ICDI_{t-1}$ = *Intellectual Capital Disclosure Index* at the previous period
ICDI ROA t-1 = Interaction between Intellectual Capital Disclosure *disclosure* And Corporate Performance at the current period
ε_t = *Error term*

IV. Research Methods

The way of gathering data is done by using the intellectual capital framework for as below :

The Intellectual Capital framework (Bukh et al., 2005)

Employees/Personnel	***Information Technology***
1. Staff by age *2. Staff by seniority* *3. Staff by sex* *4. Staff by nationality of origin (not office location)* *5. Staff by dept* *6. Staff by functionality* *7. Staff by level of education* *8. Rate of staff turnover* *9. Comments on changes in number of employees* *10. Staff health and safety* *11. Absence* *12. Staff in interview* *13. Statement policy on competence development* *14. Description of competence development program and activities* *15. Education and training expenses* *16. Education and training expenses/Number of employees* *17. Employee expenses/Number of employees* *18. Recruitment policies* *19. HRM department, division of function* *20. Job rotation* *21. Career opportunities* *22. Remuneration and incentive systems* *23. Pensions* *24. Insurance policies* *25. Statement of dependence on key personnel* *26. Revenues/Employee* *27. Value added/Employees*	*42. Description and reason for investment IT* *43. IT systems* *44. Software assets* *45. Description of IT facilities* *46. IT expenses*
	Processes
	47. Information and communication within the company *48. Efforts related to the working environment* *49. Working from home* *50. Internal sharing of knowledge and information* *51. External sharing of knowledge and information* *52. Measure of internal or external failures* *53. Fringe benefits and company social offers* *54. Environmental approvals and statements/policies*
	Research & Development
	55. Statement of policy, strategy and/or objectives of R&D activities *56. R&D expenses* *57. R&D expenses/Sales* *58. R&D invested in basic research* *59. R&D invested in product design/development* *60. Future prospects regarding R&D* *61. Details of company patents* *62. Number of patents and licenses etc.* *63. Patents pending*
Customers	***Strategic statements***
28. Number of customers *29. Sales breakdown by customer* *30. Annual sales per segment or product* *31. Average customer size* *32. Dependence on key customers* *33. Description of customer involvement* *34. Description of customers relations* *35. Education/Training of customers* *36. Customers/Employees* *37. Value added per customer or segment* *38. Marker share (%)* *39. Relative market share* *40. Market share, breakdown by country/segment product* *41. Repurchase*	*64. Description of new production technology* *65. Statements of corporate quality performance* *66. Strategic alliances (discussion of existence)* *67. Objectives and reason for strategic alliances* *68. Comments on the effects of the strategic alliances* *69. Description of the network of suppliers and distributors* *70. Statement of image and brand* *71. Corporate culture statements* *72. Best practise* *73. Organisational structure* *74. Utilisation of energy, raw material and other input goods* *75. Investment in the environment* *76. Description of community involvement* *77. Information on corporate social responsibility and objective* *78. Description of employee contracts/contractual issues*

V. Hypothesis Testing

The result of hypothesis testing can be seen in table 6, for such as below:

Table 6. Hypothesis Testing Result

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.581	4.732		-.545	.587
	icdi	20.082	7.535	1.240	2.665	.010
	ln_roa	-5.302	2.032	-4.391	-2.609	.011
	ln_roa_icdi	4.710	2.018	4.176	2.334	.023

a. Dependent Variable: ln_hrg_shm

The results of testing the hypothesis that the size of disclosure (ICDI) have a positive relationship with the stock price by looking to regression coefficient 1.240. The positive relationship has a significant value, ie the probability value of 0.010 ($p < 0.05$). Therefore, The alternative hypothesis (H1) was accepted or the null hypothesis was rejected by this results.

The other result shows that there is a significantly negative relationship between corporate performance (Ln roa) with the stock price. The results of hypothesis testing showed significant results with a probability value of 0.011, but the regression coefficient is negative. This means that the results of this test can not accept the alternative hypothesis or accept the null hypothesis. The results of this test indicate that there is no positive relationship between firm performance (ROA) and stock prices.

For the variable interaction between the the size of intellectual capital disclosure and corporate performance shows a significantly positive relationship with stock price. The positive relationship has a significant value, ie the probability value of 0.023 ($p < 0.05$). Therefore, The alternative hypothesis (H1) was accepted or the null hypothesis was rejected by this results.

Test-F is jointly testing of all independent variables to the dependent variable using the results of significance value of 0.000. This means that the variables in the research model significantly below 0.05. As seen in table 7 below:

Table 7. F Testing Result

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	37.243	3	12.414	10.235	.000[a]
	Residual	75.204	62	1.213		
	Total	112.447	65			

The amount of the overall impact of the research model can refer to the field R, as can be seen in Table 8 below:

Table 8.Coefficient Corelation Result and Corellation Coefficient

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.576[a]	.331	.299	1.10135	1.489

a. Predictors: (Constant), ln_roa_icdi, icdi, ln_roa

b. Dependent Variable: ln_hrg_shm

Overall the research model can only be represented by 33.1% as a predictor of stock price variable, while the remaining balance of 66.9% can be influenced by other variables. This model is quite powerful as a predictive model.

VI. Conclusion and Limitation

These results present that actually correspond to the theoretical framework and also explains that the size of intellectual capital disclosure and corporate performance (roa) have a positive influence to the stock price. This thing has a meaning that result has empirically indicated the size of intellectual capital disclosure can affect stock prices. This study has proved that the size of intellectual capital disclosure can affect the relationship between corporate

performance (roa) with stock prices positively. The research has verified by using the value of the interaction between the size of intellectual capital disclosure and the corporate's performance (roa). Apparently, the results of this research has showed that increasingly the size of intellectual capital disclosure, this will lead to higher prices. The tendency of corporate present more transparent, specifically in intellectual capital disclosure, that can affect to stock price performance. This condition influence to investor's perceiveness and Consequently, the size of intellectual capital disclosure can increase the stock price. The results of these research has indeed shown that the hypothesis which has been built by the research that is acceptable.,

The research has afforded to perfect condition, but it is impossible to achive fully 100% no limitation. That is caused by the research need to be developed by next research or further research.This thing can be seen from our scope of research, it is in the banking industry. Therefore this study needs to be done to other industries with the aim to obtain better results can be accepted as reference material.

Addtionally, the model are only two variables, for further research can develop the research model more than those variables. The variable should consider such as; the determinanst from the size of intellectual capital disclosure, the control variable (corporate characteristics). Because this research can still develop for achieving high level quality.

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