

# PROCEEDINGS

**B1. 5**

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Entrepreneurship and Business Management

**“Entrepreneurship & Business Sustainability”**

NOVEMBER 21-22, 2013

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JAKARTA, INDONESIA**

## MESSAGE FROM THE GENERAL CHAIRMAN OF ICEBM 2013

Dear Colleagues,

On behalf of the ICEBM2013 organizing committee, I am honored and delighted to welcome you to the International Conference on Entrepreneurship and Business Management (ICEBM 2013). This conference is a continuation of a previously organized conference, ICEBM 2012 at Tarumanagara University, Jakarta.

The annual ICEBM conference aims to provide a high level international forum for researcher, academician, and practitioners to present and discuss recent research findings, ideas and philosophies, and applications in the field of Entrepreneurship and Business Management. I am delighted to learn that for this year's conference, many delegates are in attendance from different countries, including Germany, Finland, China, India, Australia, Philippines, Thailand, Malaysia, and Indonesia. Our technical program consists of 1 keynote speech, 2 plenary sessions with 4 high quality invited speakers, and 55 technical papers split in 3 parallel oral sessions.



The success of this conference is due to the effort of many people especially program chairs and organizing staffs which we gratefully acknowledge. We would like to thank the guest speakers, program chairs, organizing staffs, and conference participants for your sincere support and active participations.

I hope that you will find the conference and your stay in Bali both valuable and enjoyable.

General Chairman of ICEBM 2013

Lina, ST., M.Kom., Ph.D

## OPENING SPEECH FROM RECTOR OF TARUMANAGARA UNIVERSITY

Distinguished Guests, Ladies and Gentlemen,

I am delighted to have the opportunity to give a welcoming speech on this International conference where the issues of Entrepreneurship, Business Management, and Sustainability (ICEBM 2013) will be addressed. And I believe these issues are crucial and important not only for our future business development but also for our planet where we live.

I would like to express my appreciation to all parties who have worked hard and organized this event. And I also would like to welcome all participants of this conference and for those who come from abroad, welcome to this beautiful island of Bali. I hope your trip to this conference becomes a pleasant trip.



The rapid development in technology particularly in the 21-st century has brought an impact in many aspects of human life. In broad, the issues can be categorized in four aspects i.e., technical or economic aspects, social, cultural, and political aspects. When these aspects are developed in an integrated fashion, the optimum results may be achieved. But how is the development of these aspects?

In technical aspect, we can witness how the nations in the world are competing to develop a advanced network system and also how the information technology changes. The convergence in many aspects of future network is in front of us. Many people are facing a dilemma if they cannot keep up with the cutting edge of the technology they will be left behind by the technology and the community. On the other hand if they develop the network system by themselves big effort and investment have to be prepared. In order to minimize the cost and energy, the synergy and shared development cannot be avoided.

In recent years, the issues of sustainability of the world have become interesting topic. Many conferences on this issue have been conducted as an independent topic related to energy saving and global warming. Very a few papers discuss this issue along with the entrepreneurial and cultural issues. In reality, we live in this world with the same technology but with different climate and cultures.

And therefore, today we meet in this conference to exchange the knowledge and the information in many aspects of the businesses, technology, entrepreneurship, and also cultures. I hope in this conference, the participants not only can share but also can learn on the issues of entrepreneurship, businesses, and sustainability. Have a great conference.

Thank you

**Prof. Ir. Roesdiman Soegiarso, M.Sc., PhD.**

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THE RELATIONSHIP SIZE, LEVERAGE, OWNERSHIP, PROFIT, AUDITOR  
SIZE AND INTELLECTUAL CAPITAL DISCLOSURE INFLUENCE TO  
STOCK PRICE

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**Abstrac:**

*The purpose of this research is to prove that there is a correlation between the size of disclosure in the annual report (intellectual capital disclosure) with corporate size, corporate leverage, ownership, profitability, and auditor size. Therefore, this association may be used as a basis into a research model that there is a relationship between intellectual capital disclosure and corporate performance. The corporate performance is proxied by stock price. The stock price is a reflection of the confidence of capital markets or result of the interaction of demand and supply which occurs in the stock. This interaction is assumed to be influenced by the corporate's fundamentals what can be seen in the information content derived from the annual report, particularly, the disclosure of intellectual capital. The consequence of this, the corporate should normally encourage to be more transparent, so that seems to look more attractive to capital market participants (investors). The result from this research is only corporate ownership can predict the intellectual capital disclosure size for the first model. For the second model, the result is the intellectual capital disclosure size can influence the stock market.*

**Keywords:** Intellectual Capital Disclosure, Leverage, Size, Stock Price, Ownership

**INTRODUCTION**

Some previous of research report (ASB, 2007) and academic studies (Lev, 2001; Mouritsen et. Al., 2001) have called for greater disclosure of non-financial indicators of investment in intangible assets. A radical change in the accounting system makes more relevant for intellectual capital presentation, especially in firms that increase intensively the intellectual capital that the sensible approach towards the enhancement of financial reports is to encourage voluntary disclosure of intellectual capital information.

But, intangible resources can be presented as part of the information presented voluntarily (voluntary disclosure). In the voluntary disclosure notes is presented as qualitative information and it is also an important part of the financial statements as additional information in the supplementary information. Some investors often find something more meaningful information to be able to see further description of the company in the future.

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## THEORETICAL REVIEW

### A. Intellectual Capital

From the previous research (Williams, 2001) showed the corporates performance is directly influenced by both physical capital and intellectual capital. Also, Belkoui (2002) found that there is a positive relationship between intellectual capital and corporate performance. CIMA (2001) define the possession of knowledge and skill, good relationships, and technological capacities, which when applied will give organizations competitive advantage. Intellectual capital consist three sides such as, human, structural, and organizational capital (Sveiby, 1997). The other definition from Guthrie and Petty (2000) that intellectual capital can be categorized into internal structure, external structure and human capital assets and knowledge assets.

### B. Intellectual Capital Disclosure

Disclosures in the financial statements have become a prerequisite for all corporates to be transparent in detail. This condition can affect decisions from investors and creditors to view that corporations. The various forms of intellectual capital disclosure are valuable information for investors as they help reduce uncertainty about future prospects and facilitate a more precise valuation of the company (Bukh, 2003).

The disclosure size can be measured through two types of disclosure, such as: a) Voluntary disclosure and b) Regulatory disclosure (Guthrie et al.: 2004). From the perspective of legitimacy theory, corporate disclosure is used as a tool for organizations to show the advantages in the intellectual capital assets (Patten: 2002). Disclosure of intellectual capital assets can indicate that the company is able to predict the ability to compete in the market and this may increase the corporate value of the company. Therefore by clarifying the company's intellectual capital assets may increase stock trading volume and this also positively affect stock prices.

### C. Some Factors Affect to the Intellectual Capital Disclosure Size

Corporates should inform the corporate condition to the investor community who have registered on the capital market. This does not mean the whole corporate will present what is actually on the condition of the company. There are some factors that encourage corporates to provide more transparent, especially concerning intellectual capital. Some factors influence the intellectual capital disclosure size that can be divided into 3 groups (Leventis and Weetman, 2000), is as follows:

1. Structural variables; corporate size, corporate leverage, corporate ownership, auditor size.
2. Performance Variable; profit corporate.
3. Market variable; types of industry, Stock Price.

#### C.1. Structural variables

##### 1. Corporate Size

It is very commonly used as an independent variable in accounting disclosure studies, such as that conducted by researchers Raffournier (1995), Hossain et. Al (1995) and Depoers (2000) who have concluded that there is a positive relationship between corporate size to the intellectual capital disclosures size.

##### 2. Corporate Leverage

Corporate leverage can be explained by the agency theory and signaling theory that relate to the intellectual capital disclosure size. The high leverage firms will be followed by high agency costs. This relates to the amount of transfer from debt holders (debt holders) to shareholders (stock holders) potentially. Therefore, the high leverage firms have more incentive to voluntarily disclose corporate information and this will reduce agency costs. Based on this understanding, then there is a positive relationship between the corporate leverage to intellectual capital disclosure size.

##### 3. Corporate ownership

Agency costs increase with more diffuse ownership structure. This will influence the presentation of financial information. With increasing diffusion ownership of the company, the corporate will increase the intellectual capital disclosure size. Hence, there is a relationship between corporate ownership and the intellectual capital disclosure size.

##### 4. Auditor size

Auditor size indicates the quality auditor. With increasing the auditor size, this will encourage corporate to disclose intellectual capital disclosure.

#### C.2. Performance Variable

Corporate earning will influence corporation to the size of intellectual capital disclosure. This is consistent with the signaling theory, which means that the manager wants to increase the size of disclosure, specifically in intellectual capital disclosure area. This indicates that the manager is more revealing good news to avoid undervaluation against their shares.

#### C.3. Market Variable

Market variable can be reflected by stock price. This is a translation from the perspective of capital market participants in valuing the corporate. This variable is affected by how market participants view the corporate prospects for the future. Presentation of information in intangible capital disclosure is very helpful for market participants to read the conditions of the corporate prospect. By increasing of intellectual capital disclosure size will provide a good picture about the future prospect and also to clarify the real condition of the corporate in the future.

Stock price is a reflection of market confidence for the corporate. The process of stock prices in the aggregate is a meeting between a buyer and seller. This means that there has been a meeting point between supply and demand in the capital market (stock). This event is heavily influenced by the fundamental of information available in the capital markets and is highly dependent on the presentation of corporate financial information.

With the availability of such information can achieve an allocation of capital or funds in a more optimal, regardless of the quality of information available on the market. The higher the quality of information, it should be the higher the level of relationship of stock price. With the condition of the quality of information that is more open, especially the presentation of disclosure on the part of intellectual capital assets in the financial statements can provide a high value to the market in deciding the proper allocation of investments. This will create a consensus of market participants are more perfect to target and optimize market conditions will be achieved. This shows that the stock price reflects the condition assessment of the capital market on corporate performance and prospects of the corporate in the future.

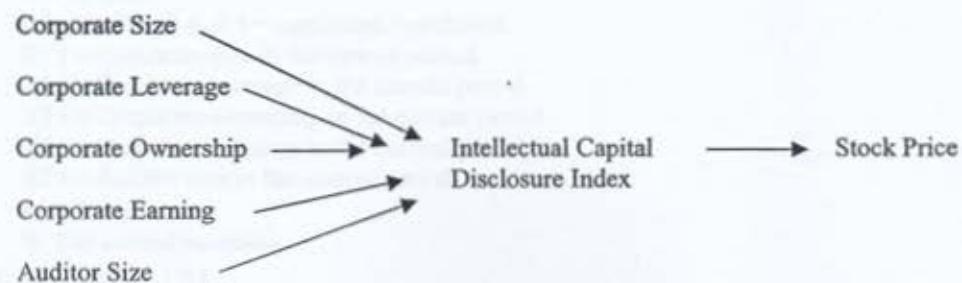
### D. Thinking Framework

Structural variables and performance variable are the factors that affect the intellectual capital disclosure size assets, After that, the intellectual capital disclosure size affect to stock price as a market variable. This can be summarized for as follow:

1. Structural variables; firm size, firm leverage, firm ownership, auditor type.
2. Performance Variable; corporate earning.
3. Market Variable; Stock Price.

From the above, that can explain the relationship between structural variables and performance variable to the intellectual capital disclosure size and then the relationship between the intellectual capital disclosure size and market variable. This can be depicted in the below:

Fig.1. Thinking Framework Scheme



### E. Hypothesis Design

Based on theory and a framework of thinking, then the hypothesis can be constructed For as follows:

1. There is a positive relationship between corporate size and intellectual capital disclosure size on corporate listed in Indonesia Stock Exchange.
2. There is a positive relationship between corporate leverage and intellectual capital disclosure size on corporate listed in Indonesia Stock Exchange.
3. There is a positive relationship between corporate ownership and intellectual capital disclosure size on corporate listed in Indonesia Stock Exchange.
4. There is a positive relationship between corporate earning and intellectual capital disclosure size on corporate listed in Indonesia Stock Exchange
5. There is a positive relationship between auditor size and intellectual capital disclosure size on corporate listed in Indonesia Stock Exchange.
6. Intellectual capital disclosure size positively affects to stock prices on corporate listed in Indonesia Stock Exchange.

## RESEARCH METHODOLOGY

### A. Research Methods

This research is a descriptive study using secondary data as a basis for hypothesis testing. This research approach is also based on the correlation of the independent variables with the dependent variable in each model of research (correlational study).

### B. Population, Sample and Sampling Technique

Research object observed is the annual report of the year 2007-2010 for the corporate listed in Indonesia Stock Exchange. The data and sample selection is purposive sampling method for as below:

1. Annual reports, reports and report supplements a management discussion and analysis from 2007 to 2010, in particular the disclosure of intellectual capital includes assets.
2. Operational data are available on the corporate in banking industry Indonesian from Capital Market Directory period 2007 to 2010.
3. Samples are annual reports from corporate listed in Indonesia Stock Exchange from 2007 to 2010. Sampling was done by filtering the available data from the population, which means if the data is not available and it has big deviation (outliers), then it should be ignored as a sample.

### C. Data Collection and Techniques

The data are from conversion the qualitative form of secondary data consisting as follow:

1. The corporate annual report is from 2007-2010 obtained from the Capital Market Reference Center (CMRC) at the Indonesian Stock Exchange and from web-site.
2. Financial information can be obtained from annual reports, Indonesian Capital Market Directory and web-site of the Indonesia Stock Exchange from 2007-2010.
3. Intellectual capital disclosure size can be obtained from the annual reports contained in the disclosure notes to the financial statements and supplementary information (supplementary information) are presented in the Indonesia Stock Exchange.

### D. Research Model

The modeling is for as follows:

#### A. First modeling:

$$Y_t = \alpha + \beta_1 X_1 t + \beta_2 X_2 t + \beta_3 X_3 t + \beta_4 X_4 t + \beta_5 X_5 t + \epsilon_t$$

$Y_t$  = Intellectual capital disclosure index in the current period

$\alpha$  = constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  = regression coefficient

$X_1 t$  = Corporate size in the current period

$X_2 t$  = Corporate leverage in the current period

$X_3 t$  = Corporate ownership in the current period

$X_4 t$  = Corporate earnings in the current period

$X_5 t$  = Auditor size in the current period

$\epsilon_t$  = Error term

#### B. The second modeling:

$$Z_t = \alpha + \beta_1 Y_t + \epsilon_t$$

$Z_t$  = Stock Price at the current period

$\alpha$  = constant

$\beta_1$  = regression coefficient

$Y_t$  = Intellectual capital disclosure index in the current period

$\varepsilon_t$  = Error term

## RESULTS

### A. Results from the first Model

#### 1. Correlation Analysis (R) and determination ( $R^2$ )

A test conducted to assess how strong the correlation or relationship of independent variables with the dependent variable. The correlation coefficient is between 0 to 1. The greater the R value (close to 1) demonstrate the strong correlation of all independent variables with the dependent variable, whereas the smaller the R value (close to 0) indicates the weak correlation of all independent variables with the dependent variable.

Test R and Adjusted R square can be seen in Table 5-5. From Table 5-5 it can be seen that the value of R is equal to 0.505. This indicates that the relationship between corporate size, corporate leverage, ownership of corporate, corporate earnings and auditor size to intellectual capital disclosure index is moderate strong.

For Adjusted R<sup>2</sup> value obtained was 0.202 which means that the intellectual capital disclosure index can be influenced by the corporate size, corporate leverage, corporate ownership, corporate earnings and auditor size as independent variable which equal to 20.2%, the remaining is 79.8% is influenced by other factors or outside the regression model.

**Table 5-5****Corellation and Determination Test****Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.505 <sup>a</sup>	.255	.202	785.87828	1.545

a. Predictors: (Constant), X5, X2, X4, X1, X3

b. Dependent Variable: Y

Test the feasibility of the model is to use the F test which shown in Table 5-6. From this table it can be seen that the significance value is equal to 0.001. The model is feasible (fit) if the significance value below the 0.05 point. It can be concluded that the regression model is feasible (fit), because the significant value of f test is 0.001, this result is smaller than 0.05.

**Tabel 5-6****ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14834593.112	5	2966918.622	4.804	0,001
	Residual	43232327.243	70	617604.675		
	Total	58066920.355	75			

## 2. Hypothesis Testing

Individual tests are intended to further investigate whether each independent variable individually can be used to predict the dependent variable. Individual testing is to use t-test statistics with a significance of 0.05. Individual test results can be seen in Table 5-7.

Table 5-7.

T Test Analysis of Multiple Regression

Model 1	Unstandardized Coefficients		Beta	T	Sig.
	B	Std. Error			
(Constant)	2245.397	1820.364		1.233	.222
X1	.978	.63.651	.002	.015	.988
X2	.062	.214	.031	.288	.774
X3	809.449	251.604	.463	3.217	.002
X4	-.285	.379	-.083	-.753	.454
X5	158.306	244.546	.089	.647	.520

T test result can be seen in Table 5-7 for as follows:

- Significance values for  $\beta_1$  (Corporate Size) was 0.988, greater than the 0.05 level. This means that  $H_0$  accepted and  $H_a$  rejected, in other words it can be concluded that the Corporate Size (X1) can not be used to predict the Intellectual Capital Disclosures Size (Y).
- Significance value for  $\beta_2$  (Corporate Leverage) is 0.774, greater than the 0.05 level. This means that  $H_a$  is rejected and  $H_0$  accepted, in other words it can be concluded that the Corporate Leverage (X2) can not be used to predict the Intellectual Capital Disclosures Size (Y).
- Significance value for  $\beta_3$  (Corporate Ownership) is 0.002, less than the 0.05 level. This means that  $H_0$  is rejected and  $H_a$  accepted, in other words it can be concluded that the variables of Corporate Ownership (X3) can be used to predict the Intellectual Capital Disclosures Size (Y).
- Significance values for  $\beta_4$  (corporate earnings) is 0.454, greater than the 0.05 level. This means that  $H_0$  is accepted and  $H_a$  is rejected, in other words it can be concluded that the corporate earnings (X4) can not be used to predict the Intellectual capital disclosure size.
- Significance value for  $\beta_5$  (Auditor size) is 0.520, greater than the 0.05 level. This means that  $H_a$  is rejected and  $H_0$  accepted, in other words it can be concluded that the Auditor size (X5) can not be used to predict the Intellectual Capital Disclosures Size (Y).

Multiple regression model (model 1) can be formulated as follows:

$$Y = 2245.397 + 0.978X_1 + 0.062X_2 + 809.449X_3 - 285X_4 + 158.306X_5$$

## CONCLUSION, LIMITATION AND SUGGESTION

## A. CONCLUSION

This research aim to test the relationship corporate size, corporate leverage, corporate ownership, corporate earning and auditor to intellectual capital disclosure size. Furthermore, this research is to test the relationship between intellectual capital disclosure size and stock price. The result is to indicate that it is only corporate ownership has a significant relationship to intellectual capital disclosure size. It means that corporate ownership can predict intellectual capital disclosure size in Indonesia Stock Exchange for banking corporations.

The result from the second test is to indicate that the intellectual capital disclosure size influence to the stock price. It means that the information content from intellectual capital disclosure size influence stock price.

## B. LIMITATION

This research has limitation in sample selection, because it is only banking corporations that can be selected. Moreover, the period is 2007-2010 or it is only four years. For intellectual capital disclosure size index is quantitative measurement, but the real is a qualitative measurement. This is also a limitation from this research, because the research is to try to convert from qualitative side to quantitative side.

## C. SUGGESTION

The research can be developed from model formulation, the first model and second model can be formulized into one research model, by using interacting between intellectual capital disclosure size from some variables at the first model. The search can deeply observe and determine for index of intellectual capital disclosure size. For further research is better to extend the periods and also, the industry. It is not only banking corporation area.

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