4th AICIF 2016

4th ASEAN International Conference on Islamic Finance

"A Re-evaluation and Way Forward"

6th - 8th December 2016 • Equatorial Hotel, Melaka, Malaysia

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FAMILY OWNERSHIP STRUCTURE AND CORPORATE GOVERNANCE DETERMINANT TOWARDS INTELLECTUAL CAPITAL

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Abstract

The dramatic development of knowledge and information technology nowadays has taken intellectual capital as an important factor in creating value-added corporate in order to win the competition. The structures of ownership and corporate governance are believed as the important determinants which can affect intellectual capital. This study aims to examine the effect of family ownership, board size, independent commissioner proportion, audit committee size, audit committee activity, with the control variable of corporate size and debt structure on intellectual capital. The sample involved in this study was the service companies listed in sharia stock index of Indonesia in 2015 by employing purposive sampling where it was obtained 65 companies. The data were obtained from their annual report and then were analyzed using multiple linear regression method by making use of SPSS 21. The findings showed that family ownership has positive significant effect on intellectual capital. The board size has positive insignificant effect on intellectual capital. The proportion of independent commissioner also has positive insignificant effect on intellectual capital. Audit committee size has positive significant effect on intellectual capital. Committee audit activity has positive significant effect on intellectual capital. While corporate size, the control variable, has positive significant effect on intellectual capital and debt structure has negative insignificant effect on intellectual. This study confirms the previous studies that ownership structure and corporate governance are the important factors determining intellectual capital.

Keywords: intellectual capital, family ownership structure, corporate governance, corporate governance mechanism, sharia stock index of Indonesia.

BACKGROUND

The dramatic development of knowledge and information technology has changed the way of competition in industries not only relying on the size of tangible assets but also relying on intellectual capital owned by companies. It can be competitive advantage for them if they can create significant added value so that it will lead to the increase of their performance. Intellectual capital is all factor either capability or competence which becomes something important for the success of organization in the future. In other words, intellectual capital is a supporter for the success of an organization in the future (Roos and Roos, 1997; Bontis, 1998; Bontis *et al.,* 2000).

According to the perspective of Islam, resources which are given to humans must be managed optimally to give welfare for them (Al-Jatsiyah verse 13). In order to manage the resources well, they are demanded to have knowledge. It will become the basic for them to create strategies, methods, and ways to manage the resources where then it will lead to welfare for all people.

Corporates are an institution which has a number of stakeholders. Their interest can be crashed one to each, therefore, good corporate governance is needed to minimize the different interest and harmonize them. Safieddine, *et al* (2009) stated that corporate governance (CG) is a framework of some factors including law, institution and culture which take an important role in making sure that the decision of manager and commissioner focuses on creating the values for all stakeholders' interest through the use of intellectual capital (IC).

Intellectual capital (IC) is an accumulation of three main elements of organization (human capital, structural capital and relational capital) which relate to knowledge, information, intellectual capital and experience that can be utilized to create wealth leading to higher corporate performance and giving added values for corporates or what-so-called competitive advantage (Rehman, *et al*. 2011). In addition, IC has an important role as a key factor to help a corporate in creating values and competitive advantage (Al-Ebel, 2014)

Some of the previous studies have been conducted by several researchers, but they did not result in line. Saleh, *et al* (2009) proved that family ownership has negative effect on IC performance, while Muttakin, et al (2015) proved that family ownership has no effect on the extensive disclosure of IC. Puteri & Chariri (2016) proved that

commissioner size, independent commissioner, a variety of commissioner, and auditor type, have no significant effect on IC disclosure. While Ulum et al (2016) proved that audit committee, commissioner size and director size have an effect on IC disclosure. Mahmudi & Enok (2014) proved that the frequency of audit committee meeting has no effect on IC performance. While Makki & Loddi (2014) proved that it has significant effect on IC performance. These inconsistencies lead to the interest of this study to re-examine the correlation between the mechanism of corporate governance and intellectual capital. The elements of corporate governance examined in this study were: family ownership, the number of commissioner board, the proportion of independent commissioner, the proportion of independent audit committee and the activity of audit committee by involving the leverage and size as the control variables.

THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

Resource Based Theory (RBT)

Resource Based Theory (RBT) explains that an organization has capabilities, assets and other financial sources which are unique and different with other organization (Edvinsson & Malon, 1997). The RBT theory considers corporates as a group of resources and capabilities. With those resources and capabilities, they can compete to other corporates in order to get competitive advantage by managing their resources according to their ability. The corporates' resources can be classified into three, tangible assets, intangible assets, and human resources.

Agency Theory

Classical Agency Theory developed by Jensen and Meckling (1976) tries to explain the conflict of interest between principal and agent. They (1976) defines the theory as contract relationship between one or more people (principal) and other people (agents) to conduct an activity by giving an authority to the agents. The split of ownership and corporate governance enables the conflict of interest between the agents and the principal. Agency problem also happens when the two sides are different in perception and attitudes to give information used by the principal in accordance with giving incentive to the agents. The agents, who have information about the whole factual operation and corporate performance, possibly do not give the whole information to the principal. On the contrary, the principal, who needs information on

the corporate but the access on internal information of the corporate is limited, will ask the agents to give information in detail. One of the problems appeared from this disharmonious is the existence of information asymmetry. In family ownership, family usually also takes an important position either as a commissioner or governance member (Zahra, 2004). In that position, family will be easier to access information about the corporate, while the other parties will not be. In a corporate with high family ownership, it has information asymmetry between majority shareholders of family and minority shareholders, debt holders and other stakeholders.

The Effect of Family Ownership on Intellectual Capital

Corporates with a big family ownership tend to monitor the performance of corporate governance to maximize the wealth of stockholders and fulfill their family members' welfare. Besides, a manager in a corporate which has a high level of family ownership tends to face conflict relating to family interest and corporate interest, because family corporate will tend to appoint their family member in a top manager position by ignoring their qualified professional employee. Therefore, the higher family ownership, the more disturbances on the decision to improve intellectual capital, because it will lead to the decrease of dividend which will be received by the family owner, so that it is predicted the higher family ownership, the lower intellectual capital. The previous studies which were conducted by Saleh, *et al* (2009), Putriani (2010) and Al-Musalli & Ismail (2012) proved that the height of family ownership has negative significant effect on intellectual capital performance. Based the explanation above, the first hypothesis proposed in this study is:

H_1: Family ownership has negative significant effect on intellectual capital.

The Effect of Commissioner Size on Intellectual Capital

A commissioner takes role as a supervisor, controller, and evaluator of manager action, assuring the implementation of GCG principles and also improving protection for stakeholders. By this supervision and control conducted by the commissioner, it will encourage managers to improve competencies of corporate's human resources. Therefore, it can be said that the higher the size of commissioner board, the higher intellectual capital. Based on the study of Mahmudi & Enok (2014) and Ulum et al,

(2016) showed that commissioner size has positive effect on intellectual capital. Based on the explanation above, the second hypothesis proposed in this study is:

H_2: Commissioner Size has positive significant effect on intellectual capital.

The Effect of Independent Commissioner on Intellectual Capital

Independent commissioners are those commissioners who do not have relationship to the governance of organization and take role only for corporate interest. Their existence will make supervisory system more effective because they take role in making decision independently or as an arbiter in making decision. Their role can support the implementation of good corporate governance, so that it can improve corporate's financial performance one of which is by improving intellectual capital in order to raise competitive advantage. Therefore, it is suspected that the higher the proportion of independent commissioner, the higher IC (intellectual capital) performance. The study of Mahmudi & Enok (2014) and Al-Ebel (2014) showed that the proportion of independent commissioner has positive significant effect on intellectual capital. Based on the explanation above, the third hypothesis proposed in this study is:

H_3: The proportion of independent commissioner has positive significant effect on Intellectual capital.

The Effect of Audit Committee size on Intellectual Capital

Audit committees are those committees created to help commissioners in running their tasks and functions to supervise corporate's finance and assure the implementation of good corporate governance. Their role has developed to face challenges on some changes on business, social and economy. Through the mechanism of corporate governance supervision conducted by them, it can lead to control good corporate governance so that divergence and fraud can be prevented. Their role and function can help to improve corporate performance in order to reach competitive advantage by improving intellectual capital(IC) performance. Therefore, it can be said that the bigger the size of audit committee, the higher intellectual capital (IC) performance. The study of Li, et al (2007), Ulum et al (2016), Mahmudi & Enok (2014) and Al-Ebel (2014) showed that audit committee size has positive significant effect on

intellectual capital. Based on the explanation above, the fourth hypothesis proposed in this study is:

H_4: Audit committee size has positive significant effect on Intellectual capital.

The Effect of Audit Committee Activity on Intellectual Capital

Meetings held by audit committees aims to discuss strategies and evaluate the implementation of task on supervising financial report, internal control, and corporate governance. The more intensity of audit committee meeting can help the corporate to win competitive advantage and improve employee's intellectual capital and corporate performance will be more efficient. Therefore, it can be said that the more intensity of audit committee meeting, the more quality and quantity of intellectual capital (IC) performance. The study of Li, *et al* (2007) Makki & Lodhi (2014) and Al-Ebel (2014) showed that audit committee activity has positive significant effect on intellectual capital. Based on the explanation above, the fifth hypothesis proposed in this study is:

H_5: Audit committee activity has positive significant effect on Intellectual capital.

METHOD OF THE STUDY

The population involved in this study was all service corporate listed in Sharia stock index of Indonesia (ISSI) during the period of 2015. To determine the sample, it employed purposive sampling technique, with these criteria as follows: (1) service corporates listed in ISSI which published annual report in 2015, (2) reporting financial statement in IDR (Rp), (3) The availability of complete data relating to the research variables. By employing those criteria, it obtained 63 corporates. The research variables, operational definition, the measurement of the variables are as follows:

Table 1

Operational Definition and Variable Measurement Scale

No.	Variables	Operational Definitions	Variable Measurement Indicators	Sources
1.	Dependent (Y): Y1 :	Intellectual capital (IC) is an intangible asset of an organization which	• VA = OUT – IN	

	Intellectual Capital	can be used to create values for the organization through the combination of human capital, structural capital and relational capital.	• CE= Equity+ Net Profit • HC= Employee Load • SC= VA-HC • VACA= $\frac{VA}{\text{CE}}$ • VAHU= $\frac{VA}{\text{HC}}$ • STVA= $\frac{SC}{\text{VA}}$ • VAIC = VACA + VAHU +STVA	Rehman, *et al* (2011)
2.	Independent : (X) X1 : Family Ownership	Family ownership is defined as the ownership of all individual and corporate whose ownership is noted (Ownership more or equals to 10% must be noted), except Public Corporates, States, Financial Institutions (Such as: Investment institution, mutual funds, insurance, Pension Fund, Bank and Cooperative), and Public whose ownership is not obligatory noted.	FAML= $\frac{\sum saham\ \ keluarga}{\sum saham\ yang\ beredar}$	Saleh, *et al* (2009)
3.	X2 : Commissioner Size	Commissioner size is the total member of commissioner in a corporate.	UKOM = LN (The total of commissioner member)	Mahmudi & Enok (2014)

4.	X3: Independent Commissioner Member	Independent commissioner proportion refers to the percentage of commissioner members who do not have relationship with the governance of organization.	PIND $= \frac{\sum Independent\ Commissioner}{\sum Commissioner\ Member}$	Mahmudi & Enok (2014)
5.	X4: Audit Committee Size	Audit Committee Size refers to the total of committee formed to help commissioners in implementing their tasks and functions to supervise corporate's finance and assure the implementation of corporate governance	UKA = LN (The total member of audit committee)	Al-Ebel (2014)
6.	X5: Audit Committee Activity	Audit Committee Activity refers to the total meetings held by audit committee and discuss strategies and evaluations on task implementation.	AKA = LN (The total meeting of audit committee)	Makki & Lodhi (2014)
7.	Control (X) X6 : Leverage	Leverage refers to the comparison between total debt and asset of a corporate.	LEV= $\frac{Total\ Liability}{Total\ Assets}$	(White *el al*, 2007)
8.	X7 : Corporate	Corporate size refers to the level of identifying	Size = LN (Total Assets)	(White *el*

	Size	the size of a corporate.		*al*, 2007)

Technique of Data Analysis

The analysis technique in this study used multiple linear regressions which previously would be conducted descriptive test, classical assumption test before. The classical assumption test consisted of: Normality test, autocorrelation test, multicollinearity test and heteroscedasticity test. The data analysis was conducted with the assistance of SPSS 21 software. Then, based on the result of SPSS output, the result obtained would be conducted hypotheses test through several steps namely: coefficient determination test, f-test and t-test.

FINDINGS OF THE STUDY

Descriptive Statistic Analysis

The result of descriptive statistic test can be seen on table 2 (appendix). Intellectual Capital (IC) variable obtained average score of 5.02346. Family ownership (FAML) variable resulted average score of 68.6884. This shows that family ownership on the service corporates is high because it is more than 50%. Boar commissioner size (UDK) resulted average score of 4.46 which was rounded to be 4 because the UDK variable was the total of the people. The variable of Independent Commissioner Proportion (PIND) obtained an average score of 42.6467. This shows that the proportion of independent commissioner on a service corporate was good enough because it exceeded the minimal of 30%.

The variable of audit committee size (UKA) obtained an average score of 3.11 which was rounded to be 3. This shows that audit committee size of service corporate has met the criteria with minimal margin of 3. The variable of audit committee activity (AKA) resulted 7.020. This shows that the meeting activity of audit committee was good enough because it is more than the minimal margin of 4 meetings. The control variable of leverage obtained an average score of 44.4641. This shows that the debt level of the service corporate was low enough because it is lower than 50%. The control variable of corporate size (SIZE) obtained an average score of 11.901.852.87. This shows that the size of service corporate listed in ISSI is big enough.

Classical Assumption Test

Based on the normality test above, it obtained the score of Asymp. Sig (2-Tailed) 0.644 which is higher than 0.05. So that it can be concluded that the data in this study is in normal distribution. The result of normality test can be seen on table 3 (appendix). Based on the result of autocorrelation test, it obtained Durbin Watson score of 2.063, which is in between the table scores of du = 1.767 and 4 – du = 2.233. This means that there is no auto correlational problem on the regression model. The result can be seen on the table 4 (appendix). Based on the result of multicollinearity test, the table of coefficients can be seen on the column of collinearity statistics showed that all of the independent variables resulted the score of Tolerance more than 0.10 and the score of VIF was lower than 10. So, it can be concluded that there was no multicollinearity in this regression model study. The result of multicollinearity test can be seen on table 5 (appendix). The result of heteroscedasticity test can be seen its significance > than 5% or 0,05. Thus, it can be concluded that there was no heteroscedasticity. The result of heteroscedasticity test can be seen on table 6 (appendix).

Multiple Linear Regression Analysis

This study examined the hypotheses through regression analysis, where the result can be seen on table 7. Based on the result of multiple linear regression calculation which can be seen on table 7, the regression line which is available on the column og unstandardized coefficients is as follow:

IC = -2.585- 0.057 (FAML) + 0.080 (UDK) + 0.061 (PIND) + 2.525 (UKA) + 0.196(AKA) - 0.005 (LEV) - 3.575E8 (SIZE) + e

Table 7. The Result of Multiple Regression Test

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Betta		

1	(Constant)	-2.585	3.279		-.788	.434
	Family_Ownership	-.057	.020	-.350	-2.911	.005
	Commissioner_Size	.080	.217	.049	.368	.714
	Indep._Comm._Proportion	.061	.031	.228	1.948	.056
	Audit_Committee_Size	2.525	.758	.395	3.333	.002
	Audit_Committee_Activity	.196	.059	.430	3.304	.002
	Leverage	-.005	.019	-.032	-.271	.787
	Corporate_Size	-3.575E8	.000	-.290	-2.024	.048

a. Dependent Variable: IC

Determination Coefficient Test

The score of determination coefficient (adjusted R^2) resulted 0.239 which means that only 23.9% of intellectual capital (IC) in this study be determined by the variables of family ownership (FAML), commissioner size (UDK), independent commissioner proportion (PIND), audit committee size (UKA), committee activity (AKA), control variable of leverage (LEV) and corporate size (SIZE), while the rest 76.1% of IC can be determined by other variables. The result of determination coefficient (adjusted R^2) can be seen on table 4 (appendix).

F Statistic Test

The result of F statistic test showed that the probability level (F-*statistic*) resulted 0.002 which is lower than 0.05, meaning that H_0 is rejected while $H_{1\ is}$ approved. Based on the hypothesis result, it can be concluded that the variables of family ownership (FAML), commissioner size (UDK), independent commissioner proportion (PIND), audit committee size (UKA), audit committee activity (AKA), control variable of leverage (LEV) and corporate size (SIZE) simultaneously have positive effect on intellectual capital (IC). The result of F-test can be seen on table 8 (appendix).

Findings and Discussion

The result of the first hypothesis test showed that **H_1 was accepted**. The result of regression showed that regression coefficient of family ownership variable (FAML)

resulted negative reaching -0.057 with the significance score of 0.005 which is lower than 0.05 meaning that it is significant. In family ownership existing on public corporate in Indonesia, company control is centered on family. The characteristic of public company ownership in Indonesia is unique enough because the family ownership is very high (68.69% in average). According to *Bapepam* regulation, Number IX.H.1, it is stated that ownership which is more than 25 % can control a corporate. So that it can be said that public corporate in Indonesia is controlled by family, therefore, it is called family corporate. A corporate that is controlled by family ownership tends to have more action for family interest through supervising the performance of corporate governance tightly and leading to inconsistency in making directional policy of the corporate where finally the family shareholders will benefited it more.

This finding is in line with the study which was conducted by Saleh, *et al* (2009) and Al-Musalli & Ismail (2012) proving that high level of family ownership has negative significant effect on intellectual capital (IC). However, this finding is not in line with the study which was conducted by Muttakin, *et al* (2015) that family ownership has negative insignificant effect on intellectual capital.

The result of the second hypothesis test showed that **H_2 was rejected**. The result of regression showed that regression coefficient of commissioner size variable (UDK) has positive score reaching 0.080 with the significant score of 0.714 which is higher than 0.05 meaning that it is not significant. This is because, the large number of in a corporate can lead to problems in communication and coordination among them, so that they are less maximal in running their function mainly in covering the weakness of other commissioners in business skill through making decision, where then it will improve the quality of strategies and actions which will be conducted by the corporate. Therefore, commissioner size is not able to affect intellectual capital significantly.

This finding is in line with the study which was conducted by Arifah (2012), Al-Ebel (2014), and Puteri & Chariri (2016) stating that commissioner size has positive insignificant effect on intellectual capital. However, this finding is not in line with the study which was conducted by Li, et al (2007) and Ulum et al (2016) proving that commissioner size has positive significant effect on intellectual capital.

The result of the third hypothesis test showed that **H_3 was rejected**. The result of regression showed that regression coefficient of independent commissioner

proportion variable (PIND) obtained positive reaching 0.061 with the significance score of 0.056 which is higher than 0.05 meaning that it is not significant. The descriptive statistic showed that there were still some corporates whose independent commissioner was 25.00%, this shows that there are some corporates which are not obeying the regulation of *OJK* (financial services authority) No. 33/POJK 4/2014 chapter 20 (3) regulating that the minimum margin of independent commissioner is 30% or 0.3 of commissioners. Besides, it is also suspected that independent commissioner's competence is less good because they are selected by family shareholders. So that they are not maximal in considering the effectiveness of governance mechanism in terms of observing commissioner activities and not being able to affect intellectual capital significantly.

This finding is in line with the study which was conducted by Arifah (2012), Rasmini, *et al* (2014), Arifin, *et al* (2014) and Putreri & Chariri (2016) proving that independent commissioner proportion has positive insignificant effect on intellectual capital. However, this finding is not in line with the study which was conducted by Mahmudi & Enok (2014), Al-Ebel (2014) and Uzliawati (2015) stating that independent commissioner proportion has positive significant effect on intellectual capital.

The result of the fourth hypothesis test showed that **H_4 was approved**. The result of regression showed that regression coefficient of audit committee size variable (UKA) obtained positive reaching 2.525 with the significant score of 0.002 which is lower than 0.05 meaning that it is significant. This shows that the audit committee has successfully run their role to face the changes on business environment, social, and economy, and conduct supervision and corporate governance control, so that divergence or fraud can be prevented. Therefore, it is needed audit committee members who are competence and experienced to be able to run their functions and roles optimally where finally increases intellectual capital.

This finding is in line with the study which was conducted by Li, *et al* (2007), Ulum, et al (2016), Mahmudi & Enok (2014) and Al-Ebel (2014) stating that audit committe size has positive significant effect on intellectual capital.

The result of the fifth hypothesis test showed that **H_5 was approved**. The result of regression showed that regression coefficient of audit committee activity (AKA) variable resulted positive reaching 0.196 with significant score of 0.002 which is lower

than 0.05 meaning that it is significant. This is because the meetings they conducted aimed to discuss strategies and evaluations on task implementation such as supervising financial report, internal control, and corporate governance. It can be concluded that the more intensity of audit committee meeting, the better coordination and supervision process which then leads to the improvement of intellectual capital in the corporate.

This finding is in line with the study which was conducted by Li, *et al* (2007) Makki & Lodhi (2014) and Al-Ebel (2014) proving that the number of audit committee meetings has positive significant effect on intellectual capital. However, this finding is not in line with the study which was conducted by Mahmudi & Enok (2014) stating that the intensity of audit committee meeting has no effect on intellectual capital.

The test of regression showed that regression coefficient of leverage control variable (LEV) resulted negative reaching -0.005 with the significant score of 0.787 which is higher than 0.05 meaning that it is not significant. This is because their activities are varied. In one side, there are some corporates with high level of leverage which is able to improve their performance so that it can lead to the improvement of intellectual capital (IC), in another side, corporates with high level of leverage and interest cost affect insignificant improvement of their financial performance, so that leverage does not able to affect intellectual capital (IC).

This finding is in line with the study which was conducted by Saleh, *et al* (2009), Faradina (2015) and Nurziah & Darmawati (2014) proving that the higher leverage ratio will have negative insignificant effect on intellectual capital (IC). However, this finding is not in line with the study which was conducted by White, *et al* (2007), Priyanti & Wahyudin (2015), Puteri & Chariri (2016) and Kumala & Ratna (2016) stating that leverage has positive significant effect on intellectual capital (IC).

The result of regression test showed that regression coefficient of corporate size control variable (SIZE) resulted negative reaching -3.575E8 with the significant score of 0.048 which is lower than 0.05 meaning that it is significant. This is because the characteristic of big service corporates has been able to be durable and developing continuously, so that they have reached to the purpose they have aimed. Therefore, it can be said that the bigger corporate size, the lower intellectual capital (IC).

CONCLUSION

Based on the result of data analyses of all obtained data, it can be concluded as follows: First, family ownership variable has negative significant effect on IC (intellectual capital). This explains that family ownership conducts tight supervision on according to the interests and benefits of family shareholders.

Then, second, commissioner size variable has positive insignificant effect on IC (intellectual capital). The large number of commissioners in a corporate can lead to some problems in communication and coordination among their members, so that they can not run their functions optimally nor affect intellectual capital (IC).

Independent commissioner variable has positive insignificant effect on IC (intellectual capital). Some of the corporates still have independent commissioner lower than the minimum margin determined by the government where it should have minimally 0.3, and the election of incompetent independent commissioner, so that they are not maximal in caring the effectiveness of governance mechanism in observing the commissioner activity and not able to affect intellectual capital significantly.

Audit committee size variable has positive significant effect on IC (intellectual capital). The audit committee can run their function in supervising and pre-supervising and their maximal role which then lead to the improvement of intellectual capital (IC). Audit committee activity has positive significant effect on IC (intellectual capital). It can be concluded that the higher the intensity of audit committee meeting, the more optimal coordination and supervision process and the more effective to improve intellectual capital (IC).

Leverage control variable partially has negative insignificant effect on IC (intellectual capital). This is because corporates with high level of leverage and interest cost affect insignificant improvement of their financial performance, so that leverage is not able to affect intellectual capital (IC). Corporate size partially has negative significant effect on IC (intellectual capital). This is because the characteristic of big service corporate is durable and developing continuously, so that they have achieved the aimed goal.

Limitations

Some of the limitations in this study refer to the sample grouping in this study used service corporates listed in sharia stock index of Indonesia (ISSI) involving only 63 corporates, and GCG indicator only used family ownership, commissioner size, independent commissioner proportion, audit committee size, and audit committee activity.

Implication

Based on the findings of this study, the implications can be stated as follows: (1) in the ownership structure concentrated on family as in public corporates in Indonesia, corporates' control is centered on family. Agency problem in this condition shifted not only between the family and manager because generally managers are those who have hospitality, but also between the family and minor owner, debt holders and other stakeholders. (2) Policy implication: the regulator in capital market needs to rearrange family ownership and family position in commissioner and director functionaries. The number of voting right owned by family gives a chance to the family to make corporate decision which is more beneficial to the family, by ignoring others. This expropriation becomes higher along with family position or those who have relationship with the family in having commissioner and director functionaries. This is also compounded with the weakness of legal protection on minor shareholders, debt holders and other stakeholders. (3) Practical implication: it is suggested for all managers to manage and utilize intellectual capital well, because it can help their corporates to achieve competitive advantage, improve their financial performance and can attract investors to make an investment on their corporate. Besides, it is also suggested for investors and potential investors, in accordance with making decision on their investment, to consider more the corporates which meet the criteria of having a large number of committee and meeting intensity, and low family ownership as their consideration in their investment, because it is proved to have good intellectual so that it can lead to competitive advantage affecting the improvement of corporate's financial performance and investment return as expected.

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LIST OF APPENDICES

Appendix 2 The data of research sample variable in 2014

NO	CODE	YEAR	IC	FAML	UDK	PIND	UKA	AKA	LEVE	SIZE
1	ACST	2015	1.966	68.2	4	25	3	4	65.54	1,929,498
2	APLN	2015	2.73	77.13	3	33.33	3	14	63.06	24,600,000
3	ADHI	2015	5.554	51	6	33.33	3	10	69.2	16,800,000
4	ASRI	2015	6.787	51.49	5	40	3	6	64.71	18,700,000
5	BIPP	2015	3.995	76.99	3	33.33	3	4	44.04	1,564,899
6	BKSL	2015	3.876	54.57	6	50	3	14	41.24	11,100,000
7	BSDE	2015	5.742	66.58	8	37.5	3	5	38.68	36,000,000
8	COWL	2015	2.369	92.39	4	50	3	5	66.84	3,540,586
9	CTRA	2015	4.345	43.92	3	33.33	3	4	50.3	26,258,719
10	CTRP	2015	7.111	58.14	3	33.33	3	7	46.7	9,824,081
11	CTRS	2015	5.246	62.66	3	33.33	3	4	47.68	6,980,936
12	DART	2015	7.221	89.67	3	33.33	3	7	40.27	5,739,863
13	DGIK	2015	1.749	63.99	5	40	3	4	48.24	2,094,466
14	DUTI	2015	4.58	88.56	4	50	3	6	24.22	9,010,000

15	EMDE	2015	8.208	89.45	4	50	3	13	44.82	1,196,041
16	GPRA	2015	4.294	72.24	3	33.33	3	5	39.83	1,570,000
17	JRPT	2015	7.736	79.1	5	40	3	4	45.36	7,578,101
18	KPIG	2015	2.803	55.22	5	40	3	4	20.24	11,100,000
19	LPCK	2015	7.501	42.2	9	33.33	3	10	33.66	5,476,757
20	LPKR	2015	7.65	23.13	8	62.5	3	4	54.23	41,300,000
21	MDLN	2015	11.428	34.04	5	40	3	3	52.83	12,800,000
22	NIRO	2015	0.124	54.26	3	33.33	3	4	12.2	3,141,666
23	NRCA	2015	4.152	68.4	4	50	3	4	45.53	1,995,091
24	PWON	2015	13.586	52.18	3	66.67	3	11	49.65	18,800,000
25	RODA	2015	12.082	68.31	4	50	4	4	22.41	3,232,243
26	SCBD	2015	2.265	82.41	5	40	3	4	32.11	5,566,425
27	SMRA	2015	5.339	37.64	4	50	3	4	61.03	15,400,000
28	TOTL	2015	3.352	56.5	5	40	3	4	69.56	2,846,153
29	WIKA	2015	9.87	65.05	7	28.57	6	6	72.26	19,600,000
30	WSKT	2015	5.396	79.67	6	33.33	4	5	67.98	30,309,110

31	BALI	2015	4.258	71.32	3	66.67	3	10	58.45	1,204,724
32	BIRD	2015	8.708	37.17	8	37.5	3	16	39.49	7,153,055
33	IBST	2015	5.916	70.38	3	33.33	3	16	28.64	4,177,280
34	INDX	2015	2.006	81.46	2	50	3	4	1.12	181,025
35	ISAT	2015	3.229	79.29	10	30	3	9	76.05	55,400,000
36	JSMR	2015	3.503	70	6	33.33	3	8	66.32	36,700,000
37	NELY	2015	3.63	84.89	3	66.67	3	4	14.47	422,231
38	TLKM	2015	3.819	60.86	7	42.86	3	34	43.78	166,173,000
39	TMAS	2015	9.471	80.84	3	66.67	3	12	54.29	1,782,061
40	ASGR	2015	4.646	76.87	4	50	3	12	41.44	1,810,083
41	BAYU	2015	2.22	80.07	3	33.33	3	6	41.7	644,525
42	BLTZ	2015	0.718	77.96	2	50	3	5	39.61	798,710
43	BMTR	2015	2.809	53.54	5	60	3	4	42.27	26,500,000
44	CENT	2015	3.423	75.16	4	50	3	4	16.66	1,293,013
45	PTPP	2015	5.396	79.67	6	33.33	4	5	67.98	30,300,000
46	CSAP	2015	4.664	52.32	5	40	3	4	75.77	3,522,573

47	INPP	2015	3.894	97.75	2	50	3	3	43.35	2,191,239
48	PDES	2015	7.759	69.93	3	33.33	3	5	54.72	393,901
49	JKON	2015	4.306	66.16	5	40	3	6	48.52	3,775,958
50	JTPE	2015	4.993	70.76	2	50	3	4	60.44	886,847
51	JSPT	2015	3.997	97.27	5	40	3	4	32.71	3,671,502
52	LINK	2015	5.555	67.29	5	40	3	4	17.37	4,438,166
53	MDIA	2015	3.909	95.41	3	66.67	3	6	29.64	2,287,790
54	MDRN	2015	3.279	55.59	3	33.33	3	4	48.42	2,489,342
55	MIKA	2015	8.632	82	4	50	3	4	11.85	3,719,816
56	MNCN	2015	4.59	75.88	5	40	4	2	33.91	14,500,000
57	MTDL	2015	4.032	25.28	3	33.33	3	4	55.7	3,496,665
58	PJAA	2015	9.946	90.01	4	33.33	3	37	42.86	3,130,177
59	PSKT	2015	0.298	94.95	4	50	3	9	70.25	513,922
60	SAME	2015	3.691	84.53	3	33.33	3	4	38.4	1,203,220
61	SCMA	2015	6.859	61.8	4	50	3	4	25.24	4,565,964
62	SHID	2015	1.196	85.05	5	40	3	2	35.28	1,449,037

63	SILO	2015	2.069	70.82	7	42.86	3	4	41.73	2,986,270

APPENDIX 3 The Result of SPSS Output

Table 2

The Result of Descriptive Statistic

	N	Minimum	Maximum	Mean	Std. Deviation
IC	63	.124	13.586	5.02346	2.836446
Family_Ownership	63	23.13	97.75	68.6884	17.43341
Commissioner_Size	63	2	10	4.46	1.758
Indep._Comm._Proportion	63	25.00	66.67	42.6467	10.62231
Audit_Committee_Size	63	3	6	3.11	.444
Audit_Committee_Activity	63	2	37	7.02	6.215
Leverage	63	1.12	88.02	44.9659	17.40704
Corporate_Size	63	181,025	2.E8	11,901,852.82	23,011,547,011
Valid N (listwise)					
	63				

Source: Analyzed Secondary Data, in 2016

Table 3 One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		63
Normal Parameters[a]	Mean	.0000000

	Std. Deviation	2.33112426
Most Extreme Differences	Absolute	.093
	Positive	.093
	Negative	-.060
Kolmogorov-Smirnov Z		.740
Asymp. Sig. (2-tailed)		.644

a. Test distribution is Normal.

Table 4 The Result of Autocorrelation Test and Determinant Coefficient

Model Summary$_b$

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.570[a]	.325	.239	2.475027	2.063

a. Predictor: (Constant), Family_Ownership, Commissioner_Size, Indep._Comm._Proportion, Audit_Committee_Size, Audit_Committee_Activity, Leverage, Corporate_Size

a. Dependent Variable: IC

Table 5 The Result of Multicollinearity Test

Model	**Collinearity Statistics**	
	Tolerance	**VIF**
1 (Constant)		
Family_Ownership	.849	1.177
Commissioner_Size	.678	1.475
Indep._Comm._Proportion	.899	1.113

Audit_Committee_Size	.873	1.145
Audit_Committee_Activity	.726	1.377
Leverage	.867	1.153
Corporate_Size	.598	1.672

a. Dependent Variable: IC

Table 6 The Result of Heteroscidastity Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error	Betta		
1 (Constant)	1.703	1.914		.890	.377
Family_Ownership	-.011	.011	-.127	-.929	.357
Commissioner_Size	-.138	.127	-.167	-1.088	.281
Indep._Comm._Proportion	.031	.018	.228	1.713	.092
Audit_Committee_Size	.201	.442	.061	.455	.651
Audit_Committee_Activity	.000	.035	-.004	-.026	.979
Leverage	-.011	.011	-.127	-.939	.353
Corporate_Size	-2.244E9	.000	-.036	-.218	.828

a. Dependent Variable: AbsUt

Table 8 The Result of Simultaneous Significant (F Statistic Test)

ANNOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	161.900	7	23.129	3.776	.002[a]
	Residual	336.917	55	6.126		
	Total	498.816	62			

b. Predictor: (Constant), Family_Ownership, Commissioner_Size, Indep._Comm._Proportion, Audit_Committee_Size, Audit_Committee_Activity, Leverage, Corporate_Size

c. Dependent Variable: IC