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Quality of audit committee as a moderating effect between shareholding structure and intellectual capital disclosure in Indonesian banking companies

Maria Goreti Kentris Indarti[1*]
Faisal Faisal[2]
Etna Nur Afri Yuyetta[3]

[1]*Faculty of Economics and Business, Diponegoro University, and Faculty of Economics and Business, Universitas Stikubank, Semarang, Indonesia.*
[1]*Email: kentris@edu.unisbank.ac.id*
[2,3]*Faculty of Economics and Business, Diponegoro University, Indonesia.*
[2]*Email: fe_faisal@yahoo.co.id*
[3]*Email: etna.yuyetta@gmail.com*

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(Corresponding Author)*

Abstract

This research examines the nexus of shareholding structure on intellectual capital disclosure. The shareholding structure consists of management, institutions, government, and foreigners. Furthermore, this research investigates the moderating role of the quality of the audit committee in this relationship. This research design uses quantitative methods. The population consists of banking firms listed on the Indonesian Stock Exchange in 2016-2020. The selection of samples employing the purposive sampling method obtained 159 observations. The output of hypothesis testing using moderated regression analysis (MRA) shows that managerial and institutional ownership negatively impacts the disclosure of intellectual capital. The conclusion of this research is that shareholders tend to reduce the amount of intellectual capital disclosed. The test results also prove that share ownership by management, institutions, and the government can function as a management control mechanism if a qualified audit committee supports it. The findings serve as input for the Financial Services Authority; as the party that drafts regulations related to the formation and implementation guidelines of the audit committee's work. Therefore, managers should integrate intellectual capital information with financial information; so that it is more useful for users of information for decision making. Practical implications of this research are that banking companies in Indonesia can improve the quality of their audit committees so that there is an increase in intellectual capital disclosure.

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1. Introduction

There are several characteristics inherent in companies operating in a competitive global environment. These characteristics include relying more on a knowledge-based economy (Olander, Hurmelinna-Laukkanen, & Heilmann, 2015), paying more attention to intangible resources (Corvino, Caputo, Pironti, Doni, & Bianchi Martini, 2019), focusing on social responsibility and corporate governance (Barrena-Martinez, López-Fernández, & Romero-Fernández, 2019), facing increasing demand for information by the market, organizations, users, suppliers, and other stakeholders (Abhayawansa, 2014; Corvino et al., 2019; Edvinsson, 2013; Tejedo-Romero & Araujo, 2022), and considering intellectual capital as an intangible resource that is essential to organizational success. Intellectual capital creates benefits and provides competitive superiority for companies, making it the main mechanism for companies to win the competition due to its dynamically changing essence (Jordão & Almeida, 2017; Maharani & Faisal, 2019; Mention & Bontis, 2013; Widiatmoko, Indarti, & Pamungkas, 2020).

Intellectual capital can create corporate value via the power of information systems, mastery of technology, employee competence, customer loyalty, and other similar assets (Tejedo-Romero & Araujo, 2022). The intellectual capital of a company should be disclosed to stakeholders since disclosure is an essential factor in an efficient bursa (Healy & Palepu, 2001). One of the advantages of companies disclosing intellectual

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capital information is reducing asymmetry (Johanson, 2003; Salvi, Vitolla, Raimo, Rubino, & Petruzzella, 2020). The separation of functions between management and principal results in an agency problem called information inequality (Mamun & Aktar, 2020). Therefore, the shareholders strive to obtain credible and timely information to make the right decisions and protect their interests. Regrettably, the urgency of this information is not followed by a high level of intellectual capital disclosure. Empirical evidence in developing countries shows that intellectual capital disclosure is below 50% (Haji & Ghazali, 2013; Mamun & Aktar, 2020). A previous study also showed that the quality of intellectual capital publication in Indonesian firms is relatively low (Ulum, Harviana, Zubaidah, & Jati, 2019; Widiatmoko et al., 2020). This condition creates information inequality between the firm and stakeholders, resulting in inappropriate decision-making processes.

In general, corporate governance has been viewed as a critical driver of company disclosure. Its attributes establish the framework for companies' efficiency, fairness, transparency, and accountability (Abeysekera, 2010). The shareholding structure can increase intellectual capital through changes in management style to the arrangement and formation of relevant policies, which can protect investors and other stakeholders and reduce agency problems (Al-Sartawi, Alrawahi, & Sanad, 2017). Therefore, as part of the corporate governance mechanism, the shareholding composition explains variations in the extent of disclosed intellectual capital (Gan, Saleh, Abessi, & Huang, 2013).

The relationship between ownership structure and intellectual capital publication has been explored in many developed countries, but similar studies are still limited in developing countries (Al-Sartawi, 2018; Haji & Ghazali, 2013; Mamun & Aktar, 2020). Based on the agency perspective, management's shareholding can be a mechanism for aligning the relationship between management and shareholders (Jensen & Meckling, 1976). As a result, outside shareholders do not need additional monitoring of manager behavior. Several studies have proven the negative influence of management's share ownership on intellectual capital disclosure (Ahmed Haji, 2015; Al-Sartawi, 2018; Haji & Ghazali, 2013; Rahman, Sobhan, & Islam, 2019; Ulfah, Yudaruddin, & Yudaruddin, 2021). Meanwhile, an investigation conducted by Hidalgo, García-Meca, and Martínez (2011); Juhmani (2013), and Alfraih (2018) showed that there is no relationship between management shareholding and disclosure of intellectual capital.

Institutional shareholders have the function of monitoring management, including disclosing intellectual capital policy. Institutional ownership promotes management to disclose intellectual capital as widely as possible. The high number of shares owned by the institution will result in higher disclosure of intellectual capital (Juhmani, 2013; Mukti & Istianingsih, 2018; Ulfah et al., 2021). However, the results do not always match this logic, as shown by Rahman et al. (2019) who reported that more institutional share ownership would reduce the quantity of intellectual capital disclosed. Several studies also reported that institutional shareholding has no impact on the intellectual capital disclosed (Haji & Ghazali, 2013; Ulfah et al., 2021).

The government as a shareholder monitors management in information transparency policies, including intellectual capital disclosure. Realizing that disclosures related to physical assets are deemed insufficient, there has been an impetus to increase disclosure related to intangible assets. Therefore, share ownership by the government positively affects intellectual capital disclosure (Gan et al., 2013; Haji & Ghazali, 2013; Mukti & Istianingsih, 2018; Rahandika & Dewayanto, 2019). However, Juhmani (2013) did not find this effect, and Al-Sartawi (2018) reported the opposite relationship between government shareholding and disclosure of intellectual capital.

Like share ownership by institutions and governments, foreigners' high number of shares will encourage information disclosure practices. Studies conducted by Kamat (2019) and Khafid and Alifia (2018) have shown that foreign share ownership can increase the publication of intellectual capital. However, Al-Sartawi (2018) research found that the higher the foreign shareholding, the lower the disclosure of intellectual capital. Meanwhile, Ulfah et al. (2021); Muttakin, Khan, and Belal (2015), and Masum, Lattif, and Osman (2020) argue that the number of foreign shares has no association with the disclosure of intellectual capital.

According to Baron and Kenny (1986), the inconsistent results of previous studies provide an opportunity to include moderating variables. This study includes the audit committee quality variable as a moderator of the influence of share ownership structure on the disclosure of intellectual capital. Furthermore, the audit committee has the main function of increasing the effectiveness of the board of commissioners in the management oversight process. A qualified audit committee can increase the transparency and quality of reporting presented by the management, thereby minimizing the information gap faced by stakeholders (Naimah & Mukti, 2019).

This study contributes both theoretically and practically. Theoretically, the results (1) reinforce agency theory, which suggests that shareholding composition can be a mechanism for implementing corporate governance, primarily when a qualified audit committee supports it. (2) This study uses the latest data, from a developing country capital market, the Indonesia Stock Exchange, with a relatively long observation period, namely 2016-2020, to provide critical empirical insights and contribute to the concept of intellectual capital. Practically, the findings contribute to (1) the Financial Services Authority, to regulate the duties and functions of the audit committee in companies to ensure transparency and information disclosure, as well as establishing strategies that promote knowledge-based investment and disclosure in annual reports; (2) corporate management, in better appreciating the importance of managing and disclosing intellectual capital; (3)

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investors and shareholders, as the basis for making business decisions.

2. Literature Review

The agency theory underlies the influence of shareholding composition as a corporate governance tool toward intellectual capital disclosure. As a result, agents are given the delegated authority and responsibility to perform services on behalf of principals and make good decisions (Jensen & Meckling, 1976). The separation of functions between shareholders and management can result in a conflict of interest between the two parties (Naimah & Mukti, 2019).

Agency theory emphasizes the importance of mechanisms designed to monitor management behavior to minimize conflict of interest between management and principal (Firer & Williams, 2005). The disclosure of intellectual capital is seen as an effective monitoring form to create transparency. Voluntary disclosure, including intellectual capital disclosure, is a monitoring mechanism the principal uses to make sure that management carries out tasks efficiently and; to prevent the dilution of principal rights (Jensen & Meckling, 1976). The agency theory is a theoretical perspective that applies to corporate governance as well as disclosure practices in developing countries, including Asia (Ahmed Haji, 2015; Chu, Chatterjee, & Brown, 2013).

Intellectual capital comprises of three categories: 1) structural/organizational capital, 2) human capital and relational/social capital. Organizational employees generate structural capital through intellectual efforts, corporate culture, policies, procedures, information, and work systems. Human capital consists of attitudes, commitments, knowledge, skills, talents, and creativity possessed by employees, which can be improved through sustainable human resource development programs. Finally, relational capital includes brand, reputation, image, loyalty, customer satisfaction, relationships with suppliers, and other organizations, and environmental activities (Mondal & Ghosh, 2021).

Intellectual capital has a dynamic nature, so it can be a primary means for companies to gain a competitive advantage over their competitors (Jordão & Almeida, 2017). Therefore, it is crucial to disclose intellectual capital for stakeholders to understand the company's value creation process. Disclosure plays a significant role for companies; it can increase transparency and accountability, minimizing information gap, increasing stock prices, and lower the cost of equity capital. Disclosure can also increase the allegiance and trust of other parties as stated by Brüggen, Vergauwen, and Dao (2009). Mousavi and Takhtaei (2012) then stated that there are several disadvantages when the company does not disclose intellectual capital, namely: 1) there is a difference in information access between large and small shareholders which results in insider trading, 2) market liquidity and stock demand decrease, 3) the wrong valuation of the company so that the company is considered high risk, 4) the cost of capital increases. On the other hand, from the company's point of view, disclosure of intellectual capital information is a means to improve reputation and create trust with other parties. This trust is essential and has a long-term impact, which supports the company maintain a competitive advantage (Al-Sartawi, 2018).

2.1. Managerial Shareholding and Intellectual Capital Disclosure

Agency theory explains that higher managerial ownership results in lower principal-agent conflict because managers have a stronger drive to optimize performance and align their interests with the principal (Jensen & Meckling, 1976; Sarhan & Ntim, 2019). Companies managed by management and owners are usually more closed because management can obtain information more easily through information channels (Castelo Branco, Delgado, Sá, & Sousa, 2010). Consistent with the logic, research by Haji and Ghazali (2013) found that the number of shares owned by management has a negative impact on the amount of intellectual capital disclosed. These findings are in line with the research results by Al-Sartawi (2018) on companies at the Cooperation Council for the Arab States of Gulf Companies, and Rahman et al. (2019) in Bangladesh, and Ulfah et al. (2021) in Indonesia. Managers as company owners have complete access to company information, including intellectual capital information, since there is no incentive to disclose it. The hypothesis needed to be tested is:

H1: There is a negative influence between managerial shareholding and disclosure of intellectual capital.

2.2. Institutional Shareholding and Intellectual Capital Disclosure

Institutional shareholders authorize management to manage the company in agency relations. Furthermore, institutional shareholders will monitor management to act in their interests. In particular, they use additional disclosures, including intellectual capital information, as a monitoring mechanism, as reported by Haji and Ghazali (2013), to guarantee that management behaves in the interests of stockholders. Consequently, institutional owners play an important role in corporate governance and disclosure practices, promoting corporations whose shares are more by institutions to publish intellectual capital assets further. Juhmani (2013) reports that institutional investors encourage companies to publish intellectual capital information in Bahrain. Mukti and Istianingsih (2018) and Ulfah et al. (2021) have shown that institutional shareholding affects the tightness of supervision carried out by investors. Thus, the hypothesis to be examined is:

H2: There is a negative influence between institutional shareholding and intellectual capital disclosure.

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2.3. Government Shareholding and Intellectual Capital Disclosure

Government Shareholding is politically more sensitive because companies with the most significant capital get a lot of attention, and they should get high public accountability (Haji & Ghazali, 2013). Furthermore, share ownership by the government increases agency problems, so disclosure is an option to reduce these problems (Firer & Williams, 2005; Gan et al., 2013). Therefore, government ownership should create pressure for companies to disclose additional information, including intellectual capital information because the government should meet the public's expectations as company stakeholders. Previous studies on the relationship between government share ownership and intellectual capital disclosure conducted by Haji and Ghazali (2013) and Gan et al. (2013) showed significant positive results. Rahandika and Dewayanto (2019) also prove that government ownership in banking companies positively influences disclosing intellectual capital. Meanwhile, Mukti and Istianingsih (2018) showed that ownership affects human and structural capital disclosure. These results indicate that the government as the controlling shareholder will promote companies to make disclosures as transparency and public accountability. Thus, the hypothesis is that:

H3: There is a positive influence between government shareholding and intellectual capital disclosure.

2.4. Foreign Shareholding and Intellectual Capital Disclosure

Based on the agency relationship, companies with foreign equity ownership are faced with a high degree of information asymmetry (Jensen & Meckling, 1976; Masum et al., 2020). This is due to several obstacles, including language barriers, limited local information, and geographical cross-section between agents and principals (Muttakin et al., 2015). The information asymmetry and uncertainty faced by foreign investors can motivate them to demand a higher level of disclosure from companies, including intellectual capital disclosure. Additionally, in developing countries, companies voluntarily disclose information, when dealing with foreign investors to maintain a positive image and investor trust, especially on international issues such as underage workers, poor working conditions, and human rights (Md Zaini, Samkin, Sharma, & Davey, 2018). Kamat (2019) reports that foreign ownership of companies in India can promote the extensive intellectual capital publication. In Indonesia, foreign owners can serve as an effective monitoring mechanism for managers. This is shown by the findings of Sinaga and Sudarno (2018), which prove that foreign shareholders can encourage companies to disclose intellectual capital information more widely. Thus, the hypothesis needs to be tested is:

H4: The influence of foreign shareholding on the disclosure of intellectual capital is positive.

2.5. Moderating Effect of Quality of Audit Committee

Modern corporate governance regulations have promoted the audit committee's function to enforce the role of independent commissioners in monitoring the weaknesses of internal control and the assurance of firm reporting (Ahmed Haji, 2015). The presence of an audit committee in a firm has become a driving force for management to publish accurate and timely financial reports (Ahmed Haji, 2015). They monitor and determine the amount of intellectual capital to be disclosed to meet stakeholder expectations (Adegboye, Ojeka, Alabi, Alo, & Aina, 2020). A qualified audit committee can reduce the information asymmetry of external stakeholders (Naimah & Mukti, 2019).

The cogency of the audit committee in ensuring accountability through monitoring has a significant impact on the disclosure of intellectual capital, which is an essential indicator of quality financial reporting. This is supported by several previous findings (Ahmed Haji, 2015; Gan et al., 2013; Muttakin et al., 2015) that have reported that the audit committee has an important portrayal in determining voluntary disclosure, especially intellectual capital. Similarly, Naimah and Mukti (2019) have proved that the existence of an audit committee affects the publication of intellectual capital. Additionally, Astuti, Fachrurrozie, Amal, and Zahra (2020) investigated the impact of audit committee quality on intellectual capital disclosure in intellectual capital-intensive industries listed on the Indonesian Stock Exchange.

As part of the supervisory mechanism supported by a qualified audit committee, the shareholding structure has a positive impact on better monitoring. The higher the management shareholding, the less conflict of interest there is between the agent and principal. However, this also creates a higher level of information asymmetry between insiders and outsiders (Haji & Ghazali, 2013). This asymmetry can be overcome by an audit committee that promotes extensive disclosure of intellectual capital. Furthermore, a qualified audit committee will strengthen the supervisory function of institutional, government, and foreign owners, thereby encouraging management to disclose more extensive and quality information, including intellectual capital information. Thus, the study proposes the following hypothesis:

H5a: Quality of audit committee moderates managerial shareholding on intellectual capital disclosure.

H5b: Quality of audit committee moderates institutional shareholding on intellectual capital disclosure.

H5c: Quality of audit committee moderates government shareholding on intellectual capital disclosure.

H5d: Quality of audit committee moderates foreign shareholding on intellectual capital disclosures.

3. Research Methodology

The population consisted of all banking companies listed on the Indonesia Stock Exchange from 2016 to 2020. This industry was chosen because of its strict regulations, which result in a tendency to disclose more

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information and a high degree of intellectual homogeneity. Samples were chosen using the following two indicators: a) the publication of an annual report and b) the availability of the required data. Based on these criteria, a total of 177 data were obtained but 18 outlier data were removed to meet the residual normality requirements, and 159 data were processed.

The disclosure of intellectual capital is measured by indicators developed by Ihyaul Ulum (2015) and adjusted to Indonesia's relevant regulations. Additionally, 36 indicators cover the categories of human, structural, and relational capital. The identification of intellectual capital disclosure is conducted using the four-way numerical coding system developed by Guthrie, Petty, and Ricceri (2006). Each indicator is given a weight according to its projection, with a numeric code of 0 assigned when it is not disclosed in the annual report, 1 assigned when it is disclosed in narrative form, 2 assigned when it is in numerical form, and 3 assigned when it is in monetary form. This method identifies the disclosure in terms of quantity and quality.

The shareholding structure, as an independent variable, includes share ownership by managers, institutions, governments, and foreigners. This is; measured by calculating the proportion of each to the number of shares outstanding (Haji & Ghazali, 2013; Khafid & Alifia, 2018; Muttakin et al., 2015). Meanwhile, the quality of the audit committee is measured using four indicators, namely independence, size, competence, and audit committee activity (Baxter, 2010). Table 1 briefly presents the variables' measurements.

Table 1. Variables and measurement.

Variables	Definitions	Measurement
Intellectual capital disclosure	Disclosure of information with regard to intellectual capital consisting 36 items.	ICD = Total Measurement Score/Cumulative Score (64) (Ihyaul Ulum, 2015)
Managerial shareholding	Sum of shares held by management divided by the sum of outstanding shares.	Managerial shareholding = (Sum of shares held by manager/Sum of outstanding shares) x 100% (Haji & Ghazali, 2013; Khafid & Alifia, 2018)
Institutional shareholding	Sum of shares held by institution divided by the sum of outstanding shares.	Institutional shareholding = (Sum of shares held by the institution/Sum of outstanding shares) x 100% (Haji & Ghazali, 2013; Khafid & Alifia, 2018)
Government shareholding	Sum of shares held by government divided by the sum of outstanding shares.	Government shareholding = (Sum of shares held by the government/Sum of outstanding shares) x 100% (Haji & Ghazali, 2013; Khafid & Alifia, 2018)
Foreign shareholding	Sum of shares held by foreign divided by the sum of outstanding shares.	Foreign shareholding = (Sum of shares held by foreigners/Sum of outstanding shares) x100% (Haji & Ghazali, 2013; Khafid & Alifia, 2018)
Quality of audit committee	Performance of audit committee in conducting supervisory responsibilities.	Quality of the audit committee is the sum of scores for each indicator which includes: independence, size, expertise, and activity (Baxter, 2010)

Below is the moderated regression analysis (MRA) equation to examine the hypotheses in this study:

$$ICD = \alpha + \beta_1 MS + \beta_2 IS + \beta_3 GS + \beta_4 FS + \beta_5 MS*AC + \beta_6 IS*AC + \beta_7 GS*AC + \beta_8 FS*AC + e$$

where ICD = Intellectual capital disclosure; MS = Managerial shareholding; IS = Institutional shareholding; GS = Government shareholding; FS = Foreign shareholding; AC = Quality of audit committee.

4. Results

Table 2 presents descriptive statistics that describe all variables in this study. The average of intellectual capital disclosure is 0.762, which means that banking companies are relatively high in disclosing intellectual capital. The average value of managerial ownership value is 0.007 or 0.7%, indicating that management's share ownership in banking companies is very low. The average of institutional shareholding is 0.400, which indicates that the shares owned by institutions are quite high, at 40%. The government's average shareholding in banking companies in Indonesia is relatively low, at 11.77%. This is because 80% of the banking companies have no government ownership in the shareholder composition. Foreign shareholding has an average value of 0.368 or 36.80%, indicating that foreign ownership in the banking industry is relatively low. The percentage of banking companies whose shares are not owned by foreigners is 15%. The audit committee has an average value of 3.345, meaning that the sample companies have a quality audit committee.

The normality examination shows that the skewness value is 1.06, which falls between -1.96 and 1.96, indicating that the distribution of residuals in the regression model is normal. The classical assumption examination shows that all independent variables have a variance inflation factor below 10. Furthermore, the *asymptotic significance 2-tailed* value on the run test indicates a value of 0.474, which is higher than the 0.05 significance level. The park test outputs show that all variables are insignificant at the 0.05 alpha level. Therefore, the regression model has no multicollinearity, autocorrelation, or heteroscedasticity problems.

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Table 2. Descriptive statistics.

Variables	Number	Minimum	Maximum	Average	St. deviation
ICD	159	0.530	0.920	0.762	0.075
MS	159	0.000	0.160	0.007	0.025
IS	159	0.010	0.970	0.400	0.335
GS	159	0.000	0.800	0.117	0.250
FS	159	0.000	0.990	0.368	0.330
AC	159	2.000	4.000	3.345	0.636

Note: ICD = Intellectual capital disclosure; MS = Managerial shareholding; IS = Institutional shareholding; GS = Government shareholding; FS = Foreign shareholding; AC = Quality of audit committee.

The output of the moderate regression analysis is shown in Table 3. Based on the information, it is known that the level of intellectual capital disclosed is determined by managerial, institutional, government, foreign ownership, as well as the synergy between shareholders and the quality audit committee, accounting for 39.10% of the variation. The remaining 60.90% is interpreted by other variables not included in the model. Furthermore, this model meets the goodness of fit requirements and; can, therefore, be used for prediction.

Table 3. Result of moderated regression analysis.

Model	Unstandardized coefficients		T	Prob.
	β	Std. error		
(Constant)	0.690	0.036	19.175	0.000***
MS	-5.858	1.409	-4.157	0.000***
IS	-0.117	0.056	-2.081	0.039**
GS	-0.187	0.119	-1.572	0.118
FS	0.071	0.067	1.052	0.294
MS*AC	1.572	0.382	4.109	0.000***
IS*AC	0.049	0.015	3.355	0.001***
GS*AC	0.089	0.032	2.827	0.005***
FS*AC	0.114	0.017	0.828	0.409
Adjusted R square				0.391
F statistics:				13.682
Sig.				0.000***

Note: *** = 1% significance.
** = 5% significance.
Dependent variable: ICD.
ICD = Intellectual capital disclosure; MS = Managerial shareholding; IS = Institutional shareholding; GS = Government shareholding; FS = Foreign shareholding; AC = Quality of audit committee.

Based on the hypothesis testing in Table 3, managerial share ownership has a negative effect on intellectual capital disclosure, indicating that management as a shareholder will try to reduce the amount of disclosed intellectual capital. Institutional share ownership has an impact on decreasing intellectual capital, contrary to the prediction, resulting in the rejection of the hypothesis. Furthermore, government and foreign ownership have no effect on the disclosure of intellectual capital, leading to the rejection of the third and fourth hypotheses. The audit committee can moderate managerial, institutional, and government ownership of intellectual capital disclosure. However, the audit committee cannot moderate the effect of foreign share ownership on the disclosure of intellectual capital, resulting in the rejection of hypothesis 5d.

5. Discussion and Findings

This study proves that management as a shareholder significantly reduces the extent of intellectual capital disclosed This finding supports agency theory, which argues that shareholding can be a mechanism for aligning the relationship between management along with shareholders (Jensen & Meckling, 1976). This condition means that external shareholders do not need more information to monitor management. Subsequently, managers have complete access to company information, including intellectual capital, so there is no incentive to disclose it. This conclusion supports the findings of Haji and Ghazali (2013); Al-Sartawi (2018); Ahmed Haji (2015); Rahman et al. (2019) and Ulfah et al. (2021), who reported the negative association between managerial shareholding and published intellectual capital.

Additional information such as investment in intellectual capital can assist institutional investors in making decisions on management performance. Therefore, the existence of institutional investors in a company should encourage management to publish more intangible asset information. However, this study has shown the opposite result, suggesting that; shareholding by institutional investors can negatively affect strategic disclosure decisions. Companies with institutional investors' shareholdings have a lower level of asymmetry, as shareholders have access to the information needed; therefore, the pressure to disclose it to the

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market is low (Rahman et al., 2019). This conclusion contradicts with agency relationship perspective that emphasizes the presence of institutional investors can effectively contribute to governance, including disclosure policies (Ulfah et al., 2021).

The test results show that share ownership by the government has no impact on the extent of disclosed intellectual capital. This can be attributed to the small number of banking companies owned by the government, which is only 20%. As a result, there is less pressure on management to publish an additional report that includes intellectual capital.

According to the agency theory perspective, companies with foreign share ownership tend to face high information asymmetry. This can be overcome by increasing the voluntary disclosure of information (Jensen & Meckling, 1976; Masum et al., 2020). However, the theory is not supported by empirical facts. One argument made is that the average foreign ownership in banking companies is relatively low, which makes supervision and monitoring less effective.

This study proves that the ownership structure, which is supported by a qualified audit committee, can encourage management to publish intellectual capital information more extensively. This can serve as a mechanism for stakeholders to optimize corporate disclosure practices by enhancing the role and function of the audit committee in supervising and monitoring management. The existence of an audit committee managers to present financial reporting in a more qualified and timely manner. It also plays a crucial role in integrated reporting initiatives, especially in presenting intellectual capital information (Ahmed Haji, 2015).

6. Conclusions

This research examined the influence of shareholding structure on the disclosure of intellectual capital and investigated the moderating aftermath of the audit committee. The findings suggest that management, as a shareholder tends to reduce the amount of intellectual capital disclosed. Therefore, to control the company's disclosed information, share ownership by management must be limited to minimize opportunistic behavior. The test results also proved that share ownership by management, institutions, and the government can function as a management control mechanism when supported by a qualified audit committee. The role and function of the audit committee in supervising and monitoring management can serve as a mechanism for optimizing corporate disclosure practices, including intellectual capital disclosure. Hence, a qualified audit committee can further boost the extent and quality of intellectual capital disclosure.

The findings can provide input for the Financial Services Authority, which drafts regulations related to the formation and implementation guidelines of the audit committee's work. The existence of an audit committee plays an important role in encouraging managers to publish intellectual capital, which offers several benefits, including reducing information asymmetry, providing information about the firm's capability to generate sustainable performance, and attracting long-term investors. Therefore, managers should integrate intellectual capital information with financial information to make it more useful for users of the information for decision making. Further research can be conducted using variables that specifically describe corporate governance activities, like board of commissioner characteristics. Likewise, further studies can be carried out on other industrial sectors, such as the manufacturing industry, or comparisons with other developing countries.

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