

DAMPAK PENGUNGKAPAN INTELEKTUAL CAPITAL TERHADAP KINERJA KEUANGAN DAN HARGA SAHAM: BUKTI DARI INDUSTRI PERBANKAN INDONESIA

THE IMPACT OF INTELLECTUAL CAPITAL DISCLOSURE ON THE FINANCIAL PERFORMANCE AND STOCK PRICES: EVIDENCE FROM THE INDONESIAN BANKING INDUSTRY

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ABSTRACT

Globalization influences the rapid development of technology and science. This development was followed by the emergence of financial technology companies which increased the banking industry's fierce competition. Disclosure of intellectual capital in the annual report as an intangible asset can increase the company's competitive advantage, affecting the financial performance and stock price. This study aims to analyze the effect of intellectual capital disclosure as an intangible asset owned by a company on the financial performance and stock prices of banking subsector companies listed on the Indonesia Stock Exchange for the 2018–2020 period. The sampling technique was carried out using the purposive sampling method, while the data was analyzed using SEM-PLS. The results showed that the disclosure of intellectual capital had a positive and significant effect on financial performance but did not positively affect the company's stock price.

ABSTRAK

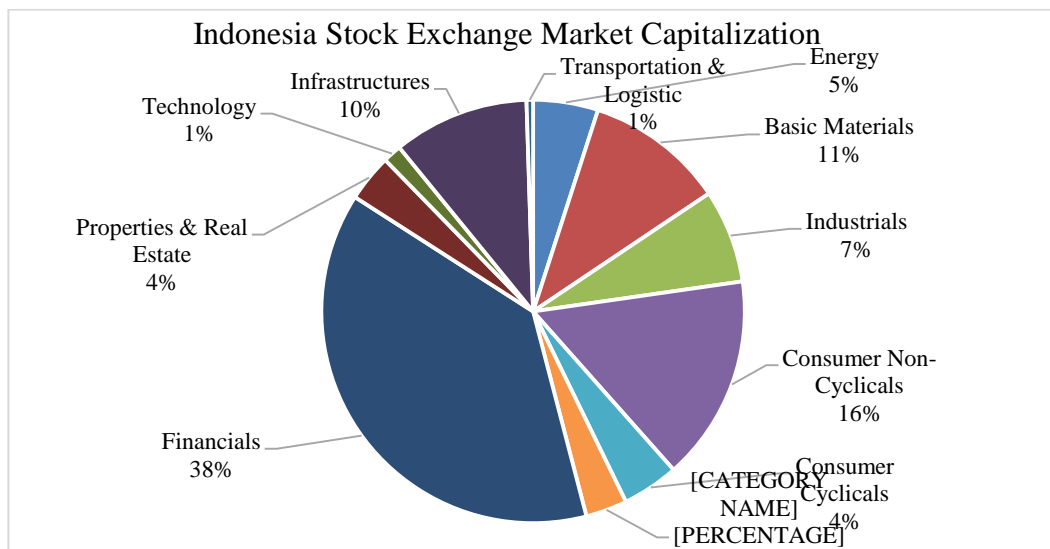
Globalisasi mempengaruhi pesatnya perkembangan teknologi dan ilmu pengetahuan. Perkembangan ini diikuti munculnya perusahaan-perusahaan *financial technology* sehingga mendorong persaingan lebih ketat pada industri perbankan. Pengungkapan *intellectual capital* dalam laporan tahunan sebagai aset tidak berwujud dinilai meningkatkan keunggulan kompetitif perusahaan sehingga berpengaruh terhadap kinerja perusahaan dan harga sahamnya. Penelitian ini bertujuan menganalisis pengaruh pengungkapan *intellectual capital* sebagai aset tidak berwujud terhadap kinerja keuangan dan harga saham perusahaan subsektor perbankan yang terdaftar di Bursa Efek Indonesia periode 2018–2020. Pengambilan sampel dilakukan menggunakan metode *purposive sampling*, sementara analisis data menggunakan SEM-PLS. Hasilnya menunjukkan bahwa pengungkapan *intellectual capital* berpengaruh positif dan signifikan terhadap kinerja keuangan namun tidak berpengaruh positif dan signifikan terhadap harga saham perusahaan subsektor perbankan.

INTRODUCTION

Globalization influences the rapid development of every life sector, from technological innovation to science and technology (Hermawan et al., 2020). This rapid development was followed by the emergence of new industries as well as the growth of innovation among these companies, fostering the intense business competition (Sutanto & Siswantaya, 2014). This intense business competition also occurs in the banking industry, as indicated by the presence of 103 banks that went bankrupt from 2006 to 2020 (Okezone, 2020). One of the factors that caused these banks to go bankrupt was that they could not survive in business competition amid the emergence of the financial technology industry (PwC, 2018). The number of fintech companies is increasing rapidly, up to 54% by the end of 2019 (AFTECH, 2019). This increase in the growth of the fintech industry is also followed by the rapid development of digital payments making the competition between the fintech industry and banks are getting tougher (Bisnis, 2019).

Banks have a vital position in supporting economic development and growth as an intermediary institution whose role is to channel funds to those who need funds. The role of banks in the economy of developing countries such as Indonesia is more dominant given the gap in saving-investment that the government budget cannot cover. Thus, the role of banks in collecting and distributing public funds will significantly assist economic development (Sunarsip, 2003). Furthermore, the shares of the banking sub-sector are very appealing to investors, as can be seen from their market capitalization value (OJK, 2021). The financial/banking sector dominates the Indonesian capital market with a market capitalization value of 38% of the total Jakarta Composite Index (JCI). It shows that the shares of the banking sub-sector have a significant influence on Indonesia's capital market activities.

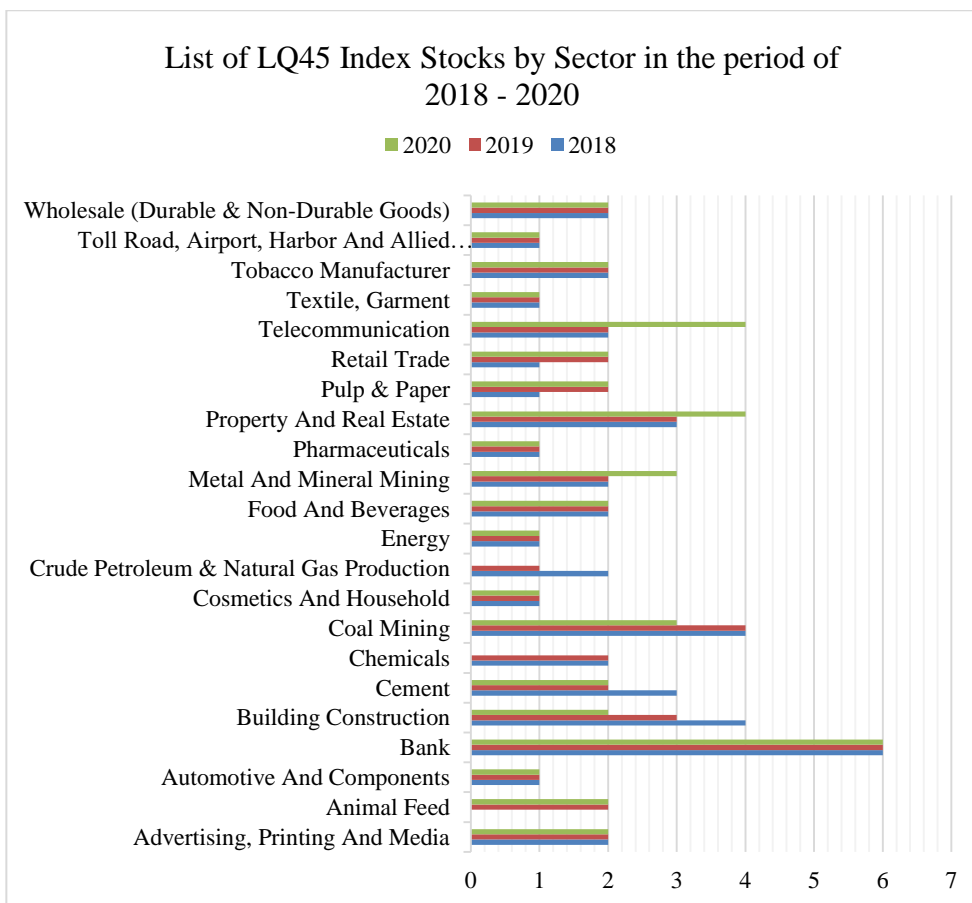
Figure 1 Indonesia Stock Exchange Market Capitalization



Source: OJK Capital Market Statistics (2021)

The banking sub-sector stocks also recorded good performance, proven by the banking sub-sector stocks listed on the Indonesia Stock Exchange dominating the LQ45 index for three consecutive years, from 2018 to 2020. The LQ45 index consists of 45 selected stocks considered the most liquid and have a large market capitalization (Wahyudi & Putra, 2020).

Figure 2 List of LQ45 Index Stocks by Sector



Source: Indonesia Stock Exchange, data processed (2021)

Based on this explanation, it can be concluded that the shares of the banking subsector are stocks that are in great demand by investors because they have a large capitalization value and high liquidity and are sectors that have an essential role in economic development and growth.

To survive in the middle of increasingly fierce competition, banks need to implement a new strategy in running their business. One of them is changing the way they run their business from being based on labor (labor-based business) to a knowledge-based one (Solikhah et al., 2010). Knowledge has become a new engine in driving business development in the current era and is recognized as a more sustainable resource (Rahmadi & Mutasowifin, 2021; Sirojudin & Nazaruddin, 2014; Starovic, 2003).

The application of knowledge-based business can help companies use their resources efficiently and economically. It can also increase the added value to the products and services offered by the company. Thus, the company has a competitive advantage that competitors cannot imitate and achieve business success in the future (Virgiawan et al., 2018). D With this shift in business focus, intellectual capital as a company's knowledge becomes more critical to be utilized.

The International Federation of Accountants (IFAC) defines intellectual capital as one of the intangible assets owned by the company and can be used to add value to the company. Meanwhile, the Chartered Institute of Management Accountant (CIMA) defines intellectual capital as ownership of knowledge and experience, professional abilities and knowledge, good relations, and technological capacity, which, if applied, can provide a competitive advantage for the company (Bhasin, 2011).

Unlike tangible assets, intellectual capital cannot be obtained easily and imitated by competitors. Hence, it will contribute significantly to the growth and success of the company's business in the future (Mangena et al., 2010). Companies that can utilize their intangible assets (intellectual capital) by disclosing them in annual reports are considered to be able to outperform competitors in the barometer of financial performance. Moreover, they also benefit investors in making investment decisions since the information

about intellectual capital can assist investors in assessing the company's ability to create wealth in the future (Bukh, 2003; Madhani, 2015). Furthermore, investors are also more interested in companies that fully disclose information about their intellectual capital. It affects the demand for the company's shares, which will increase the company's share and stock price on the stock market (Bozzolan et al., 2003; Dutrianda & Pangaribuan, 2020).

Every company indeed expects an increase in financial performance as well as stock prices on an ongoing basis to be able to outperform competitors (Dutrianda & Pangaribuan, 2020), especially for the banks that are faced with intense business competition. Therefore, disclosure of intellectual capital in the company's annual report is becoming more important, especially for banks whose operational activities are more focused on knowledge or intellectually intensive since they rely more on intellectual capital than other assets to create company value (Abeysekera, 2006).

However, in practice, companies often do not continuously disclose or reveal their intellectual capital in their annual reports because the utilization and usage of intellectual capital are still not widely known in Indonesia (Kamath, 2014; Kuryanto & Syarifuddin, 2011). Hence, research on intellectual disclosure in banking companies listed on the Indonesia Stock Exchange is interesting to conduct.

RESEARCH METHOD

The type of data used in this research is quantitative secondary data, taken from the annual report of the company obtained from the Indonesia Stock Exchange website or the website of each related company.

The method used to collect the research samples is a purposive sampling technique. It is a sampling technique by taking samples according to the unique characteristics of the sample (Amir & Junaidi, 2009). The sample used in this study is banking companies listed on the Indonesia Stock Exchange within the period of 2018–2020, which have published a complete annual report. A sample of 42 banking companies listed on the Indonesia Stock Exchange during the 2018–2020 period was obtained based on these criteria.

This study uses descriptive analysis to describe the pattern of data distribution in providing an overview of the characteristics of the research sample population so that the information obtained can be used to test the research results. The descriptive analysis also explains the practice of disclosing intellectual capital, financial performance, and the company's stock price. Meanwhile, hypothesis testing was conducted using Structural Equation Model (SEM) with Partial Least Square (PLS).

The Research Hypothesis

The independent variable of this study is the disclosure of intellectual capital as measured by indicators of human capital, structural capital, and customer capital which is then tested for its effect on two dependent variables, namely financial performance, and stock prices.

The company's financial statements that focus on financial performance are considered to depict the company's value ineffectively. Disclosure of intellectual capital by companies is seen to have its own characteristics and competitive advantages in facing business competition. This is in line with the resource-based theory, which reveals that a company will excel in the competition and have good financial performance if it owns, controls, and utilizes important strategic assets, tangible and intangible (Wernerfelt 1984; Widarjo 2011).

Khan et al. (2013) examined the effect of company performance with voluntary disclosures made by companies. They found that more profitable companies will disclose more information voluntarily because they want to create a good impression to the public. Similar results were also found in a study conducted by Hamrouni et al. (2015). The company's willingness to disclose more information (such as intellectual capital) is very influential on the company's performance.

Research related to intellectual capital disclosure was also conducted by Clarke et al. (2011) who examined the effect of intellectual capital disclosure on company performance in Australia using the ratio of Return on Assets (ROA) and Return on Equity (ROE). The results showed that human capital is an important factor of intellectual capital that positively affects company performance. The conclusion stated that Australian companies were greatly benefited from their investment in their employees' skills and knowledge development. Safitri (2012) also stated that intellectual capital disclosure affects the company's performance in creating a competitive advantage to face the intense business competition. Therefore, the first hypothesis can be formulated as follows:

H1: The Disclosure of the Intellectual Capital has positive impacts on the Financial Performance

Disclosure of intellectual capital is considered to influence the increase in stock prices because stakeholders need detailed information to make good and right decisions. The disclosure of intellectual capital, which consists of components of human capital, customer capital, and structural capital, can attract the attention of investors and potential investors. Thus, it will encourage higher demand for shares and, finally, increase the stock price. The resource-based theory reveals that companies can achieve competitive quality if they have high-quality resources and assets (Solikhah et al. 2010). Intellectual capital is an intangible asset that is considered capable of being part of the competition quality since it affects stock price movement. Stock prices can be categorized as part of a company's competition quality.

Signaling theory reveals that companies will try to show signals by showing positive information to investors through disclosure in financial statements (Miller dan Whiting 2005). Disclosure of intellectual capital carried out voluntarily by the company will allow investors or stakeholders to make an appropriate assessment of the company, reduce risk perceptions, and assess the company's ability in the future (Williams 2001; Miller dan Whiting 2005; Widarjo 2011).

If the disclosure made by the company affects the increase in stock prices, it means that the disclosure gives a positive signal. Healy and Palepu (1993) revealed that high disclosure of information tends to influence shareholders to assess stock prices and increase the liquidity of these shares, thereby creating added value. The higher the level of the intellectual capital disclosure, the more credible the information obtained by shareholders. Hence, it helps them evaluate the company's stock price.

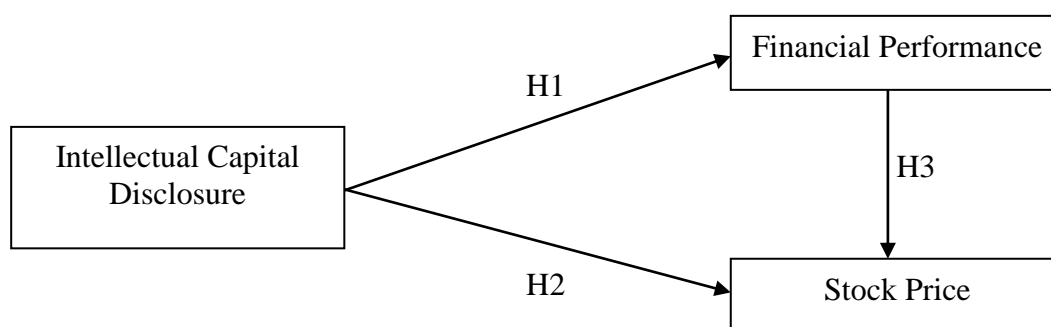
H2: The Disclosure of the Intellectual Capital has positive impacts on the Stock Prices

Based on signaling theory, the company's actions to provide signals by providing information to investors to predict the company's state in the future are expected to attract investors to invest in companies by using the financial reports as consideration (Ramadhana et al. 2018). If the disclosure of this information positively impacts an increase in stock prices, then the disclosure is a positive signal. However, if the disclosure of the information has the opposite effect, then the disclosure is a negative signal. This is in line with signaling theory which states that the content information in the disclosure provided by the company can be a signal for making investment decisions by investors.

Stock prices in the stock market will always change from time to time. The stock price reflects one of the success indicators of the company's management; if the company records good performance, then the company's shares will be in investors' great demand (Tumandung et al. 2017). Therefore, information regarding financial performance disclosed through financial statements is considered to affect stock price movements in the capital market.

H3: Financial Performance has positive impacts on the Stock Prices

Based on the hypotheses developed, the model of this research is as follow:



RESULT AND DISCUSSION

Descriptive Analysis

After taking the samples by using purposive sampling method, the samples obtained was as much as 42 banks listed on the Indonesia Stock Exchange during the 2018–2020 period. The results of descriptive statistics for the intellectual capital disclosure variable can be fully seen in Table 1:

Table 1 Descriptive Analysis of Independent Variables

Variabel	Mean	Standard Deviation	Min	Max	Med
<i>Human Capital Index</i>	0.548	0.202	0.111	1.000	0.556
<i>Structural Capital Index</i>	0.694	0.151	0.286	0.857	0.714
<i>Customer Capital Index</i>	0.661	0.193	0.125	1.000	0.625
<i>Intellectual Capital Disclosure Index</i>	0.628	0.145	0.208	0.958	0.625

Source: Processed Data (2021)

Table 1 shows that the average value of intellectual capital disclosure in banking companies is 0.628 or 63%. It shows that the banking sub-sector companies listed on the Indonesia Stock Exchange, which are the sample in this study, have a relatively high performance on disclosing their intellectual capital in their annual reports.

The bank with the highest intellectual capital disclosure value, 0.958 or 95.8%, is Bank CIMB Niaga Tbk in 2019 with the stock code BNGA. This shows that BNGA has disclosed relatively detailed information on its intangible assets or intellectual capital in its annual report. Meanwhile, of the 24 indicators of intellectual capital disclosure, BNGA has disclosed 23 indicators in its annual report. Only one indicator is not disclosed. It is regarding patents, copyrights, or trademarks. This is because banking products tend to be not much different from each other, and all banks already have digital banking technology; hence there are no particular patents for these products or technologies.

Based on Table 1, it can be seen that the lowest intellectual capital disclosure value, which is 0.208 or 20.8%, is owned by Bank of India Indonesia Tbk in 2018 with the stock code BSWD. This shows that BSWD has low performance in disclosing intellectual capital in its annual report. Of the 24 indicators of intellectual capital disclosure, BSWD only reveals 5 indicators, namely indicators of incentives and remuneration, management processes, networks, consumers, and community activities. In contrast, other indicators are not disclosed in its annual report. This is because the 2019 BSWD annual report does not focus on the disclosure of intangible assets owned by the company but instead focuses on reporting the bank's financial performance and the profile of the company and its board of directors.

In Table 1 it can also be seen that among the three categories of intellectual capital disclosure, the structural capital index has the highest average value, followed by the customer capital index. It shows that the banks as the objects of this research tend to fulfill all indicators of structural capital disclosure in their annual reports. As many as 33% of the banks reveal 5 of 6 structural capital indicators in their annual reports: management philosophy, management processes, corporate culture, information systems, research and development, and networks.

The human capital disclosure index has the lowest average value, indicating that the banking sub-sector companies are still lacking in disclosing human capital assets in their annual reports. Of the 42 banks, only Bank CIMB Niaga Tbk (BNGA) in 2019 and 2020 and Bank Maybank Indonesia Tbk (BNII) in 2018 fully disclosed their human capital assets in their annual reports, which consist of 9 indicators, namely: employee competence, education, training, incentives and remuneration, initiation, motivation and dedication, teamwork, flexibility, productivity, and occupational health and safety.

The maximum value for the disclosure of human capital and customer capital is 1, indicating that the company discloses all human capital and customer capital indicators used in this study. Then the minimum value in the disclosure of human capital is 0.111, and it shows that companies only disclose 1 out of 9 indicators of human capital disclosure, namely Bank Neo Commerce Tbk (BBYB) in 2018 and Bank of

India Indonesia (BSWD) in 2018. Meanwhile, the results descriptive analysis for the dependent variable is presented in full in the following table:

Table 2 Descriptive Analysis of Dependent Variables

Variables	Mean	Standard Deviation	Min	Max	Med
ROA	0.680	1.854	-5.994	9.099	0.565
ROE	3.342	11.079	-46.703	25.951	4.31
EPS	130.671	233.359	0.001	1159	27.20
Harga Saham	2291.55	5028.94	50	33850	685

Sumber: Data diolah (2021)

Based on table 2, it is known that Bank BTPN Syariah Tbk owned the highest ROA value of 9,099% with the stock code BTPS in 2019. This was inseparable from the growth in total bank assets in 2019 of 27.8% compared to the previous year. The 2F Program (Flexi-Time and Flexi-Style) launched by BTPS applies flexible working hours informal but polite attire so that BTPS can record good financial performance in 2019. The high ROA value indicates that BTPS has very healthy and more effective returns in utilizing every asset it owns to generate profits compared to other banks listed on the Indonesia Stock Exchange.

The lowest ROA value of -5.994% is owned by Bank IBK Indonesia Tbk with the stock code AGRS in 2019. A negative ROA value indicates that AGRS suffered a loss in 2019. This could be because, in 2019, the bank focused on merging with two business entities, namely Bank Agris and Bank Mitraniaga. Therefore, the bank has not succeeded in achieving its financial performance target.

Another financial performance variable measured in this study is ROE. Bank BTPN Syariah Tbk achieved the highest ROE value of 25.95% with the stock code BTPS in 2019. This good return indicator shows that BTPS can manage funds obtained from investors well, where every 1 rupiah can be a profit of 0.26 rupiah. In contrast, the lowest ROE value is -46,703, owned by Bank IBK Indonesia Tbk with the stock code AGRS in 2019. This shows that AGRS is still not good at managing funds obtained from investors to generate the expected profit.

Other than ROA and ROE, the variable of financial performance measured in this study is EPS. Table 2 shows that the highest value of EPS is Rp.1159 per share, owned by Bank Central Asia Tbk with the stock code BBCA in 2019. This shows that the BBCA provides the most significant benefit to shareholders for each share compared to other banking sub-sectors companies listed on the Indonesia Stock Exchange. Meanwhile, the lowest EPS value was IDR 0.001, owned by Bank Panin Dubai Syariah Tbk (PNBS) in 2020. This figure shows that PNBS provides the lowest profit for shareholders for each share.

Table 2 also shows the average value of stock prices in the banking sub-sector companies listed on the Indonesia Stock Exchange for the 2018–2020 period with as much as Rp.2291.55. Meanwhile, the highest stock price was IDR 33850, owned by Bank Central Asia Tbk with the stock code BBCA in 2019. Meanwhile, the minimum stock price is owned by Bank Panin Dubai Syariah Tbk with the stock code PNBS in 2018 and 2019, Bank MNC Internasional Tbk. with the stock code BABP in 2019 and 2020, and the Regional Development Bank Banten Tbk, with stock code BEKS in 2019 with a price of IDR 50. This shows that compared to other banking companies, these companies have the lowest stock price.

The data was processed and analyzed using Structural Equation Modeling (SEM) with Partial Least Square (PLS and processed using Smart PLS 3.0 software. Structural Equation Modeling (SEM) is used to measure the influence between variables, while the Partial Least Square (PLS) approach is used to determine the relationship between latent variables. The latent variables used are intellectual capital disclosure, financial performance, and stock prices. The SEM-PLS evaluation method is carried out by evaluating the measurement model (outer model) and the structural model (inner model) (Ghozali & Latan, 2015).

Measurement Model (Outer Model) Evaluation

The evaluation stage of the measurement model (outer model) is carried out to assess the validity and reliability of the model that represents the relationship between each latent variable construct and related indicator variables (Hair et al., 2017). Validity test is carried out by testing convergent and discriminant validity (Ghozali & Latan, 2015). Convergent validity is evaluated by assessing the loading factor of each indicator and then determining the Average Variance Extracted (AVE) of each construct (Hair et al., 2017). The loading factor value must exceed 0.7 because the square of the number shows the construct score covers at least 50% of the variable variance hence it must exceed 0.7 so that it can be said to be valid (Henseler et al., 2015). Meanwhile, Average Variance Extracted (AVE) is a summary indicator of convergence calculated from the extracted variance for all items contained in one construct (Hair et al., 2008). The AVE value must exceed 0.5, which indicates that more than half of the indicator variance is included in the construct score so that it can be said to be valid (Hair et al., 2017). The results of the outer model assessment in this study can be seen in the following figure:

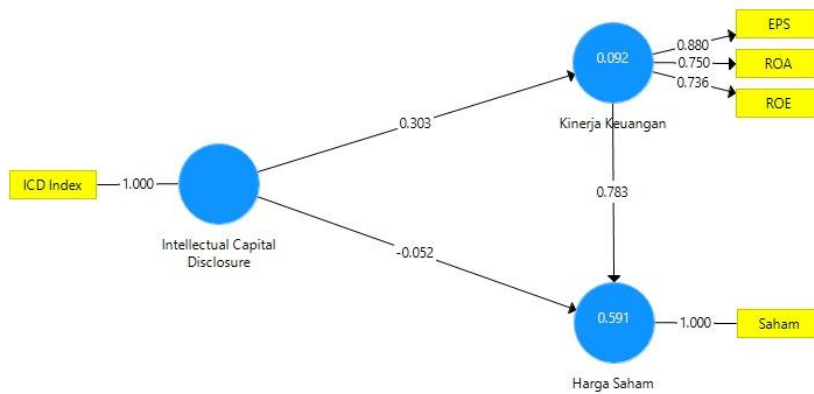


Figure 3 The Assessment of *outer model*

Source: processed data (2021)

From figure 3, it can be seen that all indicators have met the convergent validity requirements, namely having a loading factor value above 0,7; hence it is unnecessary to perform dropping. Furthermore, the convergent validity test is performed by looking at the Average Variance Ectracted (AVE) value. The table below shows the calculation of AVE value in this study:

Table 3 The Value of *Average Variance Extracted*

Variable	AVE Value
Intellectual capital disclosure	1.000
Financial Performance	0.626
Stock Price	1.000

Source: Processed Data (2021)

Based on Table 3, it can be seen that the AVE value for each variable is above 0.5. It shows that each construct of the study has met the validity requirements based on the standard that have been set (Hair et al., 2017). After evaluating convergent validity, the next step is to evaluate discriminant validity by looking at the cross loading value for each indicator. Discriminant validity indicates that a construct is empirically unique from other constructs in the model (Hair et al., 2008). It means that each construct has a unique

phenomenon that cannot be represented by other construct in the model (Hair et al., 2017). The cross-loading value of each indicator must be higher than the represented factor and lower than the unrepresented factor (Hair et al., 2014). The cross loading value in this study can be seen on Table 4:

Table 4 Cross Loading Value

	Stock Price	Intellectual Capital Disclosure	Financial Performance
ROA	0.326	0.203	0.750
ROE	0.304	0.218	0.736
EPS	0.879	0.279	0.880
ICD Index	0.185	1.000	0.303
Stock Price	1.000	0.185	0.767

Source: Processed Data (2021)

Based on table 4, it can be seen that the cross-loading value for each indicator in one latent variable is higher than the cross-loading value for other latent variables. It indicates that each indicator has reflected its latent variable since it has a higher value than other indicators on other latent variables. After all of the variables are declared valid, the next step is to test the reliability. The reliability test of a construct is carried out by looking at the value of Cronbach's Alpha and Composite Reliability (Ghozali & Latan, 2015). A model can be said to be reliable if it has Cronbach's alpha and composite reliability values above 0.7(Hair et al., 2008). The value of the cronbach's alpha and composite reliability in this study can be seen on Table 5:

Table 5 Cronbach's Alpha and Composite Reliability Value

Variable	<i>Cronbach's Alpha</i>	<i>Composite Reliability</i>
Intellectual Capital Disclosure	1.000	1.000
Financial Performance	0.762	0.833
Stock Price	1.000	1.000

Source: Processed Data (2021)

Table 5 depicts the Cronbach's Alpha and Composite Reliability values for all variables that have exceeded 0.7. It indicates that the variables have good reliability. After evaluating the outer model as a whole, both convergent validity, discriminant validity, and reliability testing, it can be concluded that the latent variable indicators are valid and reliable.

Structural Model (Inner Model) Evaluation

After evaluating the measurement model (outer model), the further step is to measure the structural model (inner model) evaluation. Structural model evaluation was conducted to evaluate the effect of latent inter-constructs and hypothesis testing. The evaluation was conducted to see the correlation between variables, real value, and R Square value from the research model. R Square was used to see the variation level of changes in the independent variable to the dependent variable. The R Square value in this study can be seen in the following table:

Table 6 R Square Value

	R Square
Financial Performance	0.592
Stock Price	0.092

Source: Processed data (2021)

Table 6 shows that the R Square value for the financial performance variable was 0.592 or 59.2%, which means that the independent variable, the intellectual capital disclosure, can contribute to increasing financial performance by 59.2% while the remaining 40.8% was influenced by the contribution of other factors that were not included in this research variable. The R Square value for the stock price variable was 0.092 or 9.2%, which means that the financial performance variable and intellectual capital disclosure contribute to an increase in stock prices by 9.2% while the remaining 90.8% was influenced by other factors that were not included in this research variable.

Hypothesis Testing

After calculating the R Square value, the further step is to test the hypothesis. Hypothesis testing was conducted by bootstrapping analysis using SmartPLS 3.0 software by looking at the path coefficient value. The relationship between constructs can be seen from the original sample value. If the original sample value shows a positive value, then the relationship between the constructs is declared positive, and vice versa. Bootstrapping results are presented in the Figure below.

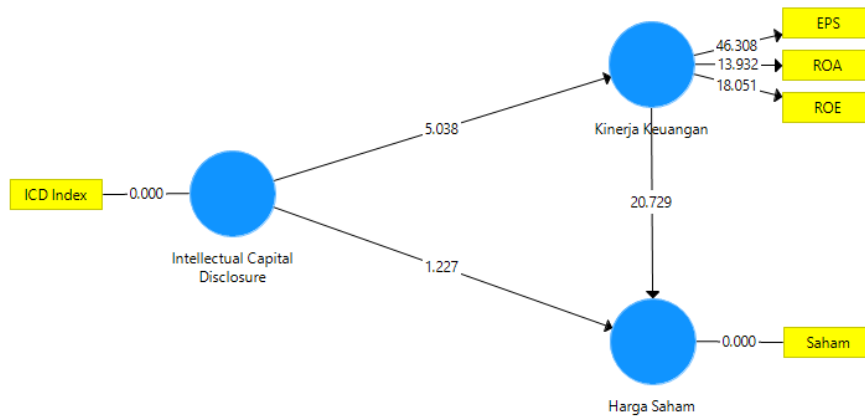


Figure 4 Bootstrapping results

Source: Processed Data (2021)

Furthermore, the value contained in the path coefficient shows the significance level of hypothesis testing by comparing the t-table and t-statistics. The hypothesis is accepted if the t-statistic value is greater than the t-table value. With an alpha significance level of 5%, the t-statistic value has to be greater than 1.96 and the p value has to be below 0.05. The path coefficient value in this study can be seen in Table 7.

Table 7 Path coefficient values

	Original Sample (O)	T Statistics (O/STDEV)	P Value	Hypothesis Decision
Intellectual Capital Disclosure → Financial Performance	0.303	5.038	0.000	Diterima
Intellectual Capital Disclosure → Stock Price	-0.052	1.227	0.220	Ditolak
Financial Performance → Stock Price	0.783	20.729	0.000	Diterima

Source: Processed data (2021)

Based on the data in Table 7, conclusions can be drawn from the hypothesis:

The Effect of Intellectual Capital Disclosure on Financial Performance

The effect of intellectual capital disclosure on the financial performance of companies in the banking sub-sector has an original sample value of 0.303 and a t-statistic value greater than 1.96, which was 5.038. This shows that the first hypothesis in this study was accepted, intellectual capital disclosure has a positive and significant effect on financial performance. This means that the higher the level of intellectual capital disclosure carried out by banks, the higher the financial performance will be. With good financial performance, banks gain a competitive advantage, thus they can excel in business competition and attract investors to invest.

This result is following the resource-based theory which describes that the company will achieve good financial performance and will excel in business competition if it has and can utilize intangible assets, the intellectual capital. This result is also following previous research that the company's willingness to disclose information such as intellectual capital greatly influences the company's performance (Hamrouni et al., 2015). Therefore, companies need to develop continuously and manage their intangible assets, the intellectual capital, then report it in the annual report to achieve better financial performance, hence the company will have a competitive advantage in facing business competition.

The Effect of Intellectual Capital Disclosure on Stock Prices

The effect of intellectual capital disclosure on stock prices of companies in the banking sub-sector has an original sample value of -0.052 and a t-statistic value of 1.227. Since the original sample value shows negative results and the t-statistic value is smaller than 1.96, this indicates that the second hypothesis in this study was rejected, which was intellectual capital disclosure has no significant effect on stock prices. This means that the disclosure of intangible assets owned by banking companies in their annual reports, the intellectual capital does not affect the up and down movement of stock prices of the banking sub-sector companies.

This can be caused by investors who do not have a high awareness of the importance of intellectual capital disclosure in the annual reports of companies in the banking sub-sector, so that it missed from the focus of attention in evaluating stock prices which then affects the level of demand and supply for company shares, where the level of demand and this offer affects the stock price in the capital market. Although there have been many studies on voluntary disclosure by companies, the extent to which intellectual capital disclosure can benefit the company in terms of stock prices has not received much attention. This causes many investors to not have the awareness and the understanding about the benefits of disclosing intellectual capital in the annual report.

The Effect of Financial Performance on Stock Prices

The effect of financial performance on stock prices of companies in the banking sub-sector has an original sample value of 0.783 and a t-statistic value of 20,729. As the original sample value shows positive results and the t-statistic value was greater than 1.96, the third hypothesis in this study was accepted, which was financial performance has a positive and significant effect on stock prices. The results of this study mean that banking companies that achieve high financial performance will get high stock prices because investors tend to be interested in investing in companies with good financial performance.

This is following previous research (Asmirantho & Somantri, 2017) which states that financial performance has a significant influence on the company's stock price, if the company obtains good financial performance, the company's shares will be in investors' great demand. Therefore, the higher the demand for shares, the higher the stock prices in the capital market. This result is also following signaling theory, in which companies that give signals in the form of information to investors through financial reports to predict the company's performance in the future can be a positive signal for investors in making investment

decisions (Miller & Whiting, 2005). Thus, affecting the level of demand for shares which then have an impact on stock prices.

Based on the three financial performance indicators used in this study, the one that has the most significant effect on increasing stock prices is the Earning Per Share (EPS) indicator. EPS is a ratio that measures how much net profit the company generates for each outstanding share and is one indicator of the company's success (Sudarno & Pratiwi, 2018). Since EPS has the most significant influence on increasing stock prices, banks must continue to increase profits so that a high EPS value is achieved, because the higher the EPS value, investors will consider the company to have good prospects in the future, hence, it will affect their demand for company shares. Eventually, the high demand for these shares will affect the increase in stock prices in the capital market.

CONCLUSION

The results of this study indicate that there was a positive and significant effect between the disclosure of intellectual capital and the financial performance of companies in the banking sub-sector which was calculated through the indicators of Return on Assets (ROA), Return on Equity (ROE), and Earning Per Share (EPS).

Disclosure of intellectual capital carried out voluntarily by the company can have a good impact on the financial performance, as the company is considered to have its own characteristics and competitive advantage in tight business competition. Therefore, banks can improve intellectual capital management by increasing the disclosure of intellectual capital in their annual reports which consist of continuous disclosure of structural capital, human capital, and customer capital, hence, improving the financial performance.

Companies could present intellectual capital disclosures in the annual report in a separate section so that this will not only increase the scope of intellectual capital disclosures but also assist stakeholders and investors in gathering relevant and quality information about the company. In addition, banking companies could cooperate with competent authorities or policymakers to develop a framework or guidelines related to intellectual capital disclosure.

Another result found is that financial performance as measured by indicators of Return on Equity (ROE), Return on Assets (ROA), and Earning Per Share (EPS) has a positive and significant effect on stock price increases. Therefore, banks need to improve their financial performance through good earnings management since it can affect stock price increases. The stock price is one of the success indicators of the company's management, so the higher the stock price reflects the company's good performance and therefore will be in demand by investors.

Companies in the banking sub-sector were also relatively high in disclosing intellectual capital in their annual reports. Among the three categories of intellectual capital disclosure, the structural capital index has the highest average value, while the human capital index has the lowest average value, indicating that the disclosure of intangible assets in the form of human capital in the annual reports of companies in the banking sub-sector was low. Based on the results of hypothesis testing, intellectual capital disclosure has a positive and significant effect on the financial performance. Meanwhile, the disclosure of intellectual capital is not proven to affect stock prices.

Meanwhile, financial performance has a positive and significant effect on stock prices of companies in the banking sub-sector listed on the Indonesia Stock Exchange. Through the three financial performance indicators, the Earning Per Share (EPS) indicator has the most significant influence on the stock prices of companies in the banking sub-sector.

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