

The Influence of Board Governance Characteristics on Intellectual Capital Performance (Empirical Study on Listed Banks in BEI 2008 – 2012)

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ABSTRACT

The purpose of this study is to investigate the influence of board governance characteristics (competence of board commissioners, proportion of board independence, supervisor expertise of board commissioners, frequency meeting of board commissioners, size of audit committee, proportion of audit committee independence, and frequency meeting of audit committee) to Intellectual Capital Performance. This study is a modification of several studies. Intellectual capital performance is measured with the VAIC method as popularized by Pulic (1998) & Mavridis (2004). This research was conducted on the banking companies listed on the Stock Exchange from the year 2008-2012 by using census method and that was selected as a sample of 31 companies or 155 firm research observation. Hypothesis testing using SPSS software (Statistical Package for Social Science) version 19.0. The result show that there is a significant effect between Intellectual Capital Performance and Board Governance characteristic such as competence of board commissioners, proportion of board independence, & size of audit committee. We find no influence between Intellectual Capital Performance and supervisor expertise of board commissioners, frequency meeting of board commissioners, proportion of audit committee independence, and frequency meeting of audit committee.

Keyword : Board governance Characteristics, Intellectual Capital Performance, Intellectual Capital Disclosure, Bank, Annual Report

1. INTRODUCTION

Economic globalization has effect for the company's to change their paradigm from labor based business to knowledge based business (Sawarjuwono & Kadir, 2003). It means that managing of the Intellectual Capital such as innovation, systems invention, knowledge and skill of human resources, consumer relations is important because it can creating value and a long term competitive advantage of organization (Ganon, 2009; Falikhatun et al., 2011). It has been empirically proven by researchers in various countries such Mavridis (2004) in Japan; Goh (2005) in Malaysia; Kamath (2007) in India, and El-Bannany (2008) in the UK. All the results showed that the banks will have a higher competitive advantage when they have the good of Intellectual Capital Performance. Furthermore, to improve the Intellectual Capital Performance of company so that required the good characteristics of Board Governance such the board of commissioners and Audit Committee to supervise

management system operational (Taliyang and Jusop, 2011). Cerbioni dan Parbonetty, 2007; Li et al, 2012 argue that Board Governance characteristics play an important role in monitoring management and development of Intellectual Capital, as well as reducing the agency problems such information asymmetries between management and stakeholders. Therefore, internal control structures (board governance) is good designed in expected to encourage improved of company performance and firm profitability (Chen & Lee, 2012). Based on the background and the phenomenon at above, so that this paper have aims to examine the effect of the board governance characteristics on Intellectual Capital Performance in Indonesian banking sector that was listed in Indonesia Stock Exchange 2008-2012 period.

2. THEORY AND HYPOTHESES DEVELOPMENT

A. Teori Agency

Agency theory perspective is the basis used to understand the concept of good corporate governance related agency relationships through contractual agreements where the principals to the agent (Jensen and Meckling, 1976; Lukviarman, 2008). Based view of agency theory, problems in corporate governance is often motivated by a separation of interests between management and stakeholders or stakeholder (Heracleous and Lan Luh, 2012). Agency theory provides a concept of control mechanisms to reduce any potential conflicts of interest between the agent and the principle by conducting surveillance mechanism byboard structure governance so as to align the interests of various parties as well as measures to avoid the occurrence of irregularities or fraud (Taliyang and Jusop, 2011; Fama and Jensen, 1983; Cerbione and Parbonetti, 2007). Monitoring by the Governance Board is expected to help drive performance improvement Intellectual Capital (Chen and Lee, 2012). The existence of the board of commissioners and the board's audit committee as part of governance is considered as a mediator to bridge the interests of principals and agents in order to remain satisfied in between the two sides in a fair and balanced (Lukviarman, 2008; Achmad, 2012).

B. Intellectual Capital Performance

Edvinsson and Malone, 1997; Bruggen et al., 2009; Uyar and Kilic, 2012 defined the Intellectual Capital as knowledge that can be measured and converted into value. This statement is supported by Tan et al. (2007) which also argue that one of the indicators of corporate performance assessment is the performance of non-monetary such as Intellectual Capital Performance. Based on Mavridis (2004), Intellectual Capital performance can be interpreted as an intangible asset with its potential to create value and competitive advantage of the company. Thus the Intellectual Capital performance is also an important aspect in achieving profitability. Chen and Lee (2012) states that the Intellectual Capital Performance can be measured through the innovation performance of organizations in a variety of perspectives (eg, technology innovation, information, and managerial) which if supported by a good control system of the governance structure of the intellectual capital performance will be more efficient and effective. The importance of intellectual capital performance in order the creation of superior corporate performance and competitive in the knowledge-based industries (Anis, 2013; Chen and Lee, 2012), give the reason for the importance of the identification and measurement of the Intellectual Capital Performance and the disclosure of IC in a company's annual report (Williams 2001; Firer and Williams, 2003; Pulic, 1998).

Intellectual Capital efficiency in this study using measurement method of popularized by Pulic (1998) who is divided into three components (VACA, VAHU, & STVA) and is measured by a method called VAIC™.

C. Board Governance

Board governance is a part in the corporate governance structure that doing monitoring activities for management in order to maintain objectivity, accountability, and integrity of company activities (Mohamed Hegazy dan Karim Hegazy, 2010). Anis (2013) argued that the company will have a good performance if it's company also have the good board governance structure. This can happen because of all the operational company activities until the reporting process is get a good oversight from the board governance. This statement is supported by Chen and Lee (2012) that also found the influence of board governance on the productivity, profitability, and firm performance. In other words, board governance is the efforts of government to improve corporate governance regulators. According to empirical research of Eng and Mak (2003); Kelton et al. (2008) found that independent directors can help monitor and encourage companies to disclose better about company's information for investors and stakeholders so as to prevent the occurrence of cheating behaviors, such as information asymmetry and opportunistic managers. Performance of independent directors will be more effective when supported by a good experience and competence of the board itself (Chtourou and Bedard, 2001; Nor et al., 2010; Zhang et al., 2007) in finding a fraud in financial reporting including Intellectual Capital Disclosure because have a good knowledge and understanding of the level of risk and procedures that are run by management.

D. Hypothesis Development

Competence of Board Commissioners

Competence of board commissioner in business and economics is important for banks because their knowledge can affect the continuity of the banking business (PBI Number: 8/14/PBI/2006). By having knowledge of business and economics, the main commissioner has a better ability to manage the business and make business decisions that may affect intellectual capital disclosure of the bank (Nor et al., 2010; Zhang et al., 2007) so as to create a competitive advantage (Mavridis, 2004 El-Bannany, 2008; Kamath, 2007; Gannon et al., 2009). Dezoort (1998) found that competence in accounting / audit is required by the board members in resolving disagreements between management and the external auditors. Therefore, a company is expected can build the competencies of board members with conduct the education and training programs in order to improve the intellectual capital performance. Based on the explanation we propose the hypothesis as follows :

H1: There is positive relationship between competence of commissioners on Intellectual Capital Performance

Proportion of Board Independence

Another variable selected is the composition of the board of commissioners in terms of its independence, since this type of member is not linked to the management of the organisation (Fama and Jansen, 1983). Pathan, Skully, dan Wickramanayake (2007) found that there is positive relationship between proportion of board independence and banking performance. Where one indication of good performance of banks can be reflected in

efficiency of intellectual capital performance (Mavridis, 2004; El-Bannany, 2008; Kamath, 2007). This is can happen because of the large number of independent commissioners made the decision of commissioners more prioritize the interests of company, so give the effect on the Intellectual Capital Performance of company. While Filatotchev, Lien and Piesse (2005) states that independent commissioner negatively affect on the company's performance. From these explanations we propose the hypothesis as follows :

H2: There is relationship between proportion of board independence on Intellectual Capital Performance

Supervisor Experience of Board Commissioners

According Suhardjanto et al (2012), the experience of the board commissioners will create quality control and good control for the management company. The more experience of the board commissioners, the better their level expertise in making decisions, including in managing and development of intellectual capital performance quality. Anis (2013); Chen dan Lee (2012) stated that Intellectual Capital Performance can be improved with a good control mechanism of the board commissioners. Saat et al. (2012) found a significant positive relationship between the experience of the board commissioners with quality and quantity of Intellectual Capital Performance of company. The experience of the commissioners, especially in the field of auditors performance can improve the effectiveness of the board commissioners it self so can help to strengthen the monitoring function for Intellectual Capital performance, competitiveness and value of term length company. This statement is also supported by Nor et al. (2010); Felo & Solieri (2008). So, it's good the company is not ignoring the experience of the Board Commissioners. Based on this, we propose the hypothesis as follows :

H3: There is positive relationship between supervisor experience of board commissioners on Intellectual Capital Performance

Frequency of Board Commissioners Meetings

Board meetings is done as a form of control over the company's operations, which the board must be regularly evaluates and checks. PBI No. 8/14/PBI/2006 require commissioners to hold not less than four (4) meetings a year. This is aims to encourage a greater exchange of free and honest views and opinions between both parties. Vafeas (2003); Brick and Chidambaram (2007) in Suhardjanto et al. (2012) showed that the more of the frequency of board meetings held, it will increase the company's performance. Goh (2005) stated that the potential of good banking performance can be seen from the efficiency of intellectual capital performance that is owned by the bank. Based on this, we propose the hypothesis as follows :

H4: There is relationship between frequency of board commissioners meetings on Intellectual Capital Performance

Size of the Audit Committee

The research conducted by Suropto (2012) found that audit committee is an important factor in the control of management. In that study, the number of audit committee members are influence to the powerfull of pressure that given to the company, the size of the larger audit committee is expected can maintain the Intellectual Capital Performance of banks with better. From these explanations we propose the hypothesis as follows :

H5: There is relationship between the size of audit committee on Intellectual Capital Performance

Proportion of Audit Committee Independence

The argument that AC independence is important draws from the widely accepted notion that independent directors are more likely to be effective monitors of management actions (e.g. Fama & Jensen, 1983). According to Mangena and Pike (2005), independent ACs are more likely to be free from management influence. Hence, they will ensure the quality and credibility of the reporting process, thus reducing information asymmetry. Since IC information plays an important role in the share valuation activities of the stock market (see Aboody & Lev, 2000), an independent AC would enhance the provision of such information for the benefit of the investors. On the empirical front, Jing Li et al (2008) find that AC independence is positively associated with company's performance. With the independent of audit committee is expected to increase the company performance. Based on this we propose the hypothesis as follows :

H6: There is positive relationship between proportion of audit committee independence on Intellectual Capital Performance

Frequency of Audit Committee Meetings

Audit committee meeting was held in order to discuss the strategy and evaluation of the company performance such as supervision of the financial statements, internal control, and monitoring of good corporate governance. With the more frequency of audit committee meeting, it is expected to improve the coordination and supervision implementation of a better and more effective so that it can affect the quality and quantity of intellectual capital performance. Based on Bapepam No : Kep-29/PM/2004 the audit committee should hold regular meetings each the year. The more audit committee meetings that were conducted it will improve the audit committee performance. With the holding of regular meetings of the audit committee are expected can be improve the Intellectual Capital Performance of the banks. From these explanations we propose the hypothesis as follows :

H7: There is relationship between frequency of audit committee meetings on Intellectual Capital Performance

3. DATA AND METHODOLOGY

Population in this research is all the company's annual report on conventional banking companies listed in Indonesia Stock Exchange (IDX) during the years 2008 to 2012, as many as 31 banks conducted a census sampling to obtain a sample of observations of 155 annual reports. Dependent variables in this study is the Intellectual Capital Performance that measured using the VAIC method.

Operational Definition and Measurement

Independent Variables

- a. Competence of the Board Commissioners

Commissioners competence variables in this research refers to research Jing Li et al., (2012); Chtourou and Bedard (2001); Nor et al. (2010) as measured by the proportion of board members who have expertise or competence in the field of Accounting. The proportion of board competencies can be measured by:

$$\text{Competence DK} = \frac{\sum \text{DK competent in the field of Accounting}}{\sum \text{Board of Commissioners}} \times 100\%$$

b. Proportion of Board Commissioners Independence

Proportion of board independence variable in this research refers to Hidalgo et al., (2011) which measured the proportion of independent board members who are in banking companies. This opinion is also supported by the research of Kelton et al., 2008; Setyapurnama and Norpratiwi, 2004; Eng and Mak (2003). The proportion of independent board can be measured by:

$$\text{The proportion of independent DK} = \frac{\Sigma \text{DK independent} \times 100\%}{\Sigma \text{Board of Commissioners}}$$

c. Experience of the Board Commissioners

Experience of the board commissioners variable in this study refers to Saat et al., (2012) which measured the proportion of independent board members who are in banking companies. This Measurements was also supported by Nor et al. (2010). The experience of board commissioners can be measured by:

$$\text{Experience DK} = \frac{\Sigma \text{DK experienced as supervising} \times 100\%}{\Sigma \text{Board of Commissioners}}$$

d. Frequency of Board Commissioners Meetings

Variable frequency of board meetings in this research refers to Nor et al. (2010) that measured by the number of board meetings is done in one year.

e. Audit Committee Size

Variable size of audit committee in this research refers to Taliyang & Jusop (2011) that measured by summing the Audit Committee members are contained in the bank. This argue was also supported by Jing Li et al., (2008; 2012). Audit committee size can be measured by:

$$\text{Audit committee size (ACSIZE)} = \Sigma \text{Member of Audit Committee}$$

f. Proportion of Audit Committee Independence

Variable proportion of audit committee independence in this research refers to Jing Li et al., (2012) that measured by the percentage of audit committee members are independent of all members the audit committee in corporate banking. The proportion of audit committee independence can be measured by:

$$\text{The proportion of independent KA} = \frac{\Sigma \text{KA independent} \times 100\%}{\Sigma \text{Audit Committee}}$$

g. Frequency of Audit Committee Meetings

Variable frequency of audit committee meetings in this research refers to Jing Li et al., (2008) that measured by the number of audit meetings is done in one year. This opinion is also supported by Taliyang & Jusop (2011).

Dependent Variables

Dependent variable in this study is Intellectual Capital Performance that refers to Mavridis (2004) and using method VAIC that popularized by Pulic (1998). This measurement is also supported research conducted by El-Bannany (2008); Kamath (2007), Goh (2005). The intellectual capital performance can be measured by:

$$VAIC^{TM} = VACA + VAHU + STVA$$

- a. Value added of capital employee (VACA)

$$VACA = \frac{\text{Value Added}}{\text{Capital Employed}}$$
- b. Value added of human capital (VAHU)

$$VAHU = \frac{\text{Value Added}}{\text{Human Capital}}$$
- c. Structural capital value added (STVA)

$$STVA = \frac{\text{Structural Capital}}{\text{Value Added}}$$

Description:

1. Value Added : The difference between output and input (OUTPUT-INPUT).
 Output : total sales and other revenue
 Input : expense (except salary expense)
2. Capital Employee (CE): available funds (Equity)
3. Human Capital (HU): cost of salaries and employee benefits
4. Structural Capital (SC): VA - HU

The result of multiple regression equation in this study are:

$$ICP = \alpha + \beta_1 DK_KOMP + \beta_2 DK_IND + \beta_3 DK_PG + \beta_4 DK_RPT + \beta_5 AC_SIZE + \beta_6 AC_IND + \beta_7 AC_RPT + e$$

Description:

- ICP = Intellectual Capital Performance
- DK_KOMP = Competence of Board of Commissioners
- DK_IND = Proportion of Board Independence
- DK_PG = Experience of Board Commissioners
- DK_RPT = Meetings of Board
- AC_SIZE = Size of Audit Committee
- AC_IND = Proportion of Audit Committee Independence
- AC_RPT = Meeting of Audit Committee
- α = Constant.
- $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ = Coefficient.
- e = Standard error

4. RESULTS

Descriptive Statistics

Reported result in Table 1 & 2 includes the mean, standard deviation, minimum and maximum value for each of the variables involve in this study.

Table 1
Descriptive Statistics Dependent Variable

Variables	Mean	Minimum	Maximum	St. Deviation
Intellectual Capital Performance (%)	2.803201	-1.9406	5.2671	1.14

The mean for intellectual capital performance was shown at 2.803201 as indicated in Table 1 indicated that every spending one rupiah of the company capital for the development of intellectual capital will raise the company's value added reached 2.803201 times.

Table 2
Descriptive Statistics of Independent Variables

Variables	Mean	Minimum	Maximum	St. Deviation
DK_KOMP (%)	19.8	0	66.7	19.6
DK_IND (%)	49.9	0	100.0	23.2
DK_PGLM (%)	48.9	0	100.0	31.8
DK_RPT	13	0	57	13.4
AC_SIZE	3.8	0	8	1:50
AC_IND (%)	56.6	0	100.0	20.1
AC_RPT	9.8	0	38	8.1

The mean for Competency of Board Commissioners was shown at 19.8%. This shows that the competence of Board Commissioners in the field of accounting or finance has been owned by several banks to support his efforts in the business. Indonesian banks have to follow the regulations set by Indonesian Central Bank Regulation No. 8/4/PBI/2006, although still in a relatively small percentage. While the mean for proportion of Independent Commissioners in this study was shown at 49.9%. This indicates that the bank has complied with most of the rules that apply to creating corporate governance. The mean of the Board Commissioners who are experienced in the field of Auditor was shown at 48.9% indicates that the quality control by the Board of Commissioners with experience as Auditor of the company's activities, especially intellectual capital performance is the better. While the Board of Commissioners meetings showed a mean of 13.0. This means the Board of Commissioners has been carrying out the meeting as many as 13 times.

Based on the results of the study, the mean for Audit Committee size was shown at 3.8 which means that the Audit Committee have obeyed regulation of PBI No. 8/4/PBI/2006, the Audit Committee size in consists of at least three people. PBI No. 8/4/PBI/2006 also stated that minimum requirements of the Audit Committee Independent proportion is 51.0% of the members of Audit Committee, while the mean proportion of independent Audit Committee in this study was shown at 56.6%. This indicates that the bank has complied with most of the rules that apply to creating good corporate governance. The mean for Audit Committee meetings showed at 9.8 means that the Audit Committee has conducted meetings as much as 10 times in one year. This is showed that the bank has been conducting meetings in accordance with the regulation of PBI No. 8/4/PBI/2006 that stated the Audit Committee must carry out at least meetings four times in one year.

HYPOTHESIS TESTING

Hypothesis testing in this study is done using multiple regression analysis with enter method (Ghozali, 2005). The result of multiple regression after testing with the classical assumption using the Kolmogorov-Smirnov, DW test, and VIF it is known that the data used in this study were normally distributed and valid, can be seen in Table 3.

Adjusted R2 in table 3 shows a value of 0.128. Adjusted R2 value of 0.128 means that the intellectual capital performance can be explained by variations in the independent variables, namely competence of Board Commissioners, Board Commissioners Independence, experience of Board Commissioners in Accounting or Finance, Frequency of Board Commissioners Meetings, Audit Committee size, Audit Committee Independence, and Frequency of Audit Committee Meetings by 12.8% while the remaining 87.2% is influenced by other factors.

Table 3
Multiple Regression Results

Variables	Coefficient	t	Sig.
(Constant)	.321	5806	.000
DK_KOMP	.198	2,802	.006 *
DK_IND	-.134	-2266	.025 *
DK_PGLM	.036	.851	.396
DK_RPT	.001	.510	.611
AC_SIZE	.030	3,150	.002 *
AC_IND	-.008	-.126	.900
AC_RPT	-.001	-.275	.784
R Square	.167		
Adjust R Square	.128		
F	4,222		
Sig.	.000 B		

* The 0.05 level

Dependent Variable: ICP

Table 3 shows the calculated F value at 0.000 with a significance of 4,222 (P-value <5%), it can be concluded that the multiple regression model is very good. Thus, the variable of Board Commissioners and Audit Committee together proved to significantly influence to Intellectual Capital Performance (ICP).

DISCUSSION

The results of hypothesis testing are performed using SPSS tools are as follows :

$$\text{ICP} = 0.321 + 0.198 \text{DKKOMP} - 0.134 \text{DKIND} + 0.036 \text{DKPGLM} + 0.001 \text{DKRAPAT} + 0.0301 \text{ACSIZE} - 0.008 \text{ACIND} - 0.001 \text{ACRAPAT} + \varepsilon$$

Hypothesis 1: There is positive relationship between competence of commissioners on Intellectual Capital Performance

The hypothesis of this study aims to examine the effect of Board Commissioners competence to Intellectual Capital Performance (ICP). The first hypothesis test results show the significance at $0.006 < 0.05$ (α) which means that the competence of the Board Commissioners has effect on Intellectual Capital Performance (ICP). The findings of this study are consistent with research of Dezoort (1998) which suggested that the competence of the board commissioners has effect on Intellectual Capital Performance (ICP). This study predicts that the commissioners competence in Indonesia is a major factor in the increase of Intellectual Capital Performance (ICP). By having knowledge of business and economics, the main commissioner has a better ability to manage the business and make business decisions that may affect intellectual capital performance of the bank. This is supported by Rose (2007) that also stated that Competence of the Board at the level of higher can be make the company performance in the better.

Hypothesis 2: There is relationship between proportion of board independence on Intellectual Capital Performance

The results show that significance of hypothesis 2 at $0.025 < 0.05$ (α) which means that hypothesis is accepted. The findings of this study are consistent with research conducted by Pathan et al., (2007) and Filatotchev (2005) which also found that there is positive relationship between the proportion of board independence on Intellectual Capital Performance. It is predicted that the proportion of independent BOC is a major factor in the improvement of Intellectual Capital Performance. The Board of Commissioners is expected to enhance the independence of the regulatory process for the company's operations in order to create policies or new ideas about the importance of managing intellectual capital in the Indonesian banking company. That is because the independent board is part of a governance structure that has no business relationships, family relationships, and affiliated relationships with internal of company's so be expected can make the professionalism who is able to give an opinion freely without partiality to anyone and can reduce the conflict of interest related .

Hypothesis 3: There is positive relationship between supervisor experience of board commissioners on Intellectual Capital Performance

Hypothesis test result showed the significance value at $0.396 > 0.05$ (α). It means that this hypothesis is rejected. This findings is different with the research of Saat et al. (2012) and Nor et al. (2010) who found that experience of commissioners give the influence on Intellectual Capital Performance (ICP). This is presumably due to the different of cultures of foreign countries with cultures that occurred in Indonesia. The levels of experience in Indonesia is not a major factor in improving Intellectual Capital Performance (ICP). it is maybe caused in general of corporate culture in Indonesia is still a lot that embraces family relationships and affiliated relationships.

Hypothesis 4: There is relationship between frequency of board commissioners meetings on Intellectual Capital Performance

The results show that significance of hypothesis 4 at $0.611 > 0.05$ (α) which means that hypothesis is rejected. This might be due to less effective meeting agenda in conducting a review of the reports on the company performance (Klein, 2006). Thus concluded that it is not always the high frequency of meetings is ensures that Intellectual Capital Performance (ICP) also will increase because it depends on the effectiveness of the meeting. This results are consistent with research conducted by Fitriany and Purwanto (2012) which also found that the frequency of meetings of the board commissioners has no effect on Intellectual Capital Performance (ICP), but it is different with Vafeas (2003) who found that the frequency of board meetings have a positive effect on Intellectual Capital Performance.

Hypothesis 5: There is relationship between the size of audit committee on Intellectual Capital Performance

Hypothesis test result showed the significance value at $0.002 < 0.05$ (α) which means that hypothesis is accepted. This findings are consistent with Surtanto (2012) which also found that the size of audit committee has a positive effect on Intellectual Capital Performance. It is predicted that the size of the larger audit committee is expected can maintain the Intellectual Capital Performance of banks with better. Contribution of audit committee can be improve the effectiveness of the board of commissioners in implementing the company's internal control so as to help improve the company performance including Intellectual Capital Performance.

Hypothesis 6: There is positive relationship between proportion of audit committee independence on Intellectual Capital Performance

The results show that significance of hypothesis 6 at $0.900 > 0.05 (\alpha)$. It means that hypothesis is rejected. This result is perhaps due to the weakness of the corporate governance practices in Indonesia (Falikhatun et al, 2011). Istanti (2009) stated that although Bank Indonesia has regulated of independent board proportion, but there is no mechanism on how shareholders to select the members of board of independent. So although the independent audit committee has existed, but it is unknown how his appointment. The result of this study is different with research conducted by Jing Li et al. (2008) and Saat et al. (2012) which found that the proportion of audit committee independence has a positive effect on Intellectual Capital Performance (ICP).

Hypothesis 7: There is relationship between frequency of audit committee meetings on Intellectual Capital Performance

Hypothesis test result showed the significance value at $0.784 > 0.05 (\alpha)$ which means that hypothesis is rejected. This might be due to less effective meeting agenda in conducting a review of the reports on the company performance (Klein, 2006). Thus concluded that it is not always the high frequency of meetings is ensures that Intellectual Capital Performance (ICP) also will increase because it depends on the effectiveness of the meeting. The findings of this study are consistent with research conducted by Kharis and Suhardjanto (2010) which found that the frequency of audit committee meetings has no affect to the intellectual capital performance.

5. SUMARRY AND CONCLUSIONS**Conclusion**

Competence of the Board, the proportion of independent Board, the size of Audit Committee proved have positive significant on Intellectual Capital Performance in Indonesian banking. The board in the large of size will create heterogeneity of competence (Abeysekera, 2010). While, competence of the board in high level when supported by a good independence will increase the effectiveness of the performance of the council it self (Chtourou and Bedard, 2001).

Suggestions and Limitations

1. This study only examines in relatively small sample size, so the writer feel that the result of this study is still less represented. Suggested for further research to examine the factors that are considered also influential on the intellectual capital disclosure in the banking sector, for example, is associated with the value of the firm or research in manufacturing companies.
2. For company management is suggested that more attention competence of the board, proportion of Independent Board of Commissioners, and audit committee size because this variable can affect to the Intellectual Capital Performance which affect investors' assessment of the value of the company.

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