

Government Ownership, Human Resources Disclosure, and Firm Performance: Evidence from the Banking Industry in Indonesia

Siti Zulaikah^a, Dyah Ayu Larasati^b, Iman Harymawan^c, ^{a,b,c}Department of Accountancy, Faculty of Economics and Business, Universitas Airlangga, Email: ^{c*}harymawan.iman@feb.unair.ac.id

The purpose of this study is to investigate the relationship between government ownership and the company's financial performance and to what extent human resource disclosure affects this relationship. This study uses 129 observations of companies in the banking industry listed on the Indonesia Stock Exchange (IDX) from 2014 to 2016 and uses ordinary least square (OLS) regression analysis to test the hypotheses. The result shows that government ownership has a positive relationship on a company's financial performance. Furthermore, the result also shows that extent to which human resources disclosure strengthens the relationship between government ownership and financial performance. For investors, this study implies that greater disclosure on human resource capital of government owned companies is a signal for better firm performance in Indonesia.

Key words: *Government Ownership, Human Resources Disclosure, Financial Performance, Banking Industry.*

Introduction

Jensen and Meckling (1976) stated that the theory used in studying ownership is agency theory wherein there is a difference of interest between the principal (shareholder) and the agent (management). In this case, management must pay attention to the interests of shareholders, but also seek to improve their personal welfare, which is often not in line with the interests of shareholders. The higher the level of shareholder ownership in a company, the stronger the

authority to control the company. One of the majority shareholders in the company is the government.

Government contribution within a company has two roles, as either primary stakeholders or secondary stakeholders (Carroll & Buchholtz, 2003). Government as a primary stakeholder is when it becomes a shareholder of a company through government ownership. The government as a secondary stakeholder plays a role in determining political policy. However, often, the government as a shareholder has a different purpose to other shareholders. In general, the government, which acts as the state apparatus, has political and social objectives, wherein the objectives are often not in line with corporate objectives. To avoid the occurrence of the issue of differences of interest, the government needs to improve the effectiveness of its role within the company. Thus, companies will be more responsive in the face of market pressures and increase quality incomes (Harymawan & Nowland, 2016). The increase indicates that the company has better performance prospects.

Government ownership becomes one of the interesting ownership structures to be examined. Given that the government has the authority and great influence in making policy on various lines, even in the economic field, the role of government ownership in an enterprise can implement policies that can discipline self-interest management behaviour (Ab Razak et al., 2008). Internal institutional is known as a mechanism that could reduce agency conflict, and they also have a significant impact on debt policy (Mahadwartha & Ismiyanti, 2008). The government's ability to reduce the agency conflicts can have a positive effect on the financial performance (Ab Razak et al., 2008; Najid & Rahman, 2001; Sun and Tong, 2002). Yet, in other studies, it shows there is a negative relationship between government ownership and financial performance (Ting & Lean, 2015; Tran et al., 2014).

Besides government ownership, disclosure of human resources is another factor that can improve the financial performance of the company. In Indonesia, there has been little research on the interaction of government ownership and the extent of human resources disclosure. Companies with government ownership have substantial disclosure responsibilities due to government interference within the company. One of the important aspects of information that companies need to disclose is human resources. The company's human resources refer to creating core competencies, knowledge, and innovation values, which go beyond physical and financial resources (Swart, 2006; Siddiqui & Anjum 2013). Human resources become an important factor in creating the quality of company management, especially a service-oriented company such as banking. Human resources disclosure can maintain good corporate relations with shareholders; therefore, companies with government ownership that do disclose human resources have better performance prospects in the future.

This study aims to analyse the influence of government ownership and the extent of the influence of human resources disclosure on financial performance. This study predicts that companies with government ownership will result in high financial performance. Furthermore, companies with high government ownership and disclosure of human resources are expected to result in higher financial performance. This study uses 129 observations from all banking companies listed on the Indonesia Stock Exchange from 2014 to 2016. The analysis method used in this study is ordinary least square (OLS) regression and OLS with robustness, which is the cluster model from Petersen (2009), to test the influence of government ownership and the extent of human resources disclosure influence on financial performance.

This study found that government ownership is positively and significantly related to financial performance. This indicates that companies with government ownership will result in higher performance. Subsequent discoveries of interaction are done by multiplying the variable of government ownership with the extent of human resources disclosure. There is a positive and significant relationship between government ownership and the extent of human resources disclosure with financial performance. These results indicate that firms with higher government ownership and disclosure of human resources will result in higher financial performance.

This research can give a contribution to the government in making investment policy, and thus make banking companies in Indonesia as a profitable place to invest. In addition, it can be a consideration for the company's management in determining policies to improve the company's performance by expanding investment cooperation with the government, as well as on the policy of the need to disclose human resources.

Literature Review and Hypothesis Development

The welfare of shareholders is one of the objectives of the establishment of a company. Government ownership is the percentage of government shareholding in an organisation, which acts as external monitoring watchdog because it has a large investment in capital markets (Yonnedi & Sari, 2009). Government ownership makes the company try to harmonise and adjust to the interests desired by the government. The government as the shareholder has the authority to control the company and whether it has performed well. With such authority, the government can reduce the occurrence of conflict of interest with management. The higher the level of shareholder ownership in the company, the greater the authority to control the company. The government as the majority shareholder provides a control mechanism to discipline self-interest management behaviours to align with corporate objectives, which impact on improving performance (Ab Razak et al., 2008). Mahrani and Soewarno (2018) show

that the mechanism of good corporate governance has a positive effect on financial performance. Government ownership and financial performance have a positive relationship (Sun, Tong, & Tong, 2002). This is in line with previous research which found that government ownership has a positive effect on financial performance (Ab Razak et al., 2008; Najid & Rahman, 2011).

H1: Companies with government ownership produce higher performance compared to companies without government ownership.

The performance and success of an organisation depend on the quality of the human resources owned by the company (Chauldary & Sharma, 2012). The advantages of human resources disclosure in the company's annual report can include improving corporate image, reducing capital costs, attracting potential investors, lowering stock volatilities, building information related to company products and services, and, as the main advantage, as a medium for enhancing corporate relationships with stakeholders (Singh & Van-der-Zahn, 2008; Vergauwen & Alem, 2005). This suggests that disclosure of human resources can attract potential investors and can maintain good corporate relationships with shareholders. The relationship will make the government, as the majority owner of the shares, retain ownership of the company. Thus, the interaction of government ownership and the extent of human resources disclosure can improve the company.

H2: Companies with government ownership which conduct a higher extent of human resources disclosure results in higher financial performance than companies with government ownership which conduct a lower extent of human resources disclosure.

Research Methodology

Sample and Source of Data

The sample used in this study is all banking companies in 2014-2016 listed on the Indonesia Stock Exchange. There is a total of 129 samples of banking companies listed on the IDX from 2014 to 2016.

Sources of data used in this study are secondary data derived from the annual reports of banking companies from the period of 2014 until 2016. Data related to disclosure of human resources and auditor type can be obtained in the narrative section of the annual report, while government ownership data, financial performance, firm size, firm age, capital adequacy ratio and a non-performing loan can be obtained from the quantitative section. Company annual report data are

obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id) and through the official website of each company.

Measurement of Government Ownership

Government ownership is an independent variable in this study which is measured using dummy variables referring to previous studies (Ab Razak et al., 2008). Government ownership in this study is measured using two dummy variable proxies: first, value 1 for government ownership (G) and value 0 for non-government ownership (S). Second, % government ownership (G) and value 0 for non-government ownership (S).

Measurement of Extent of Human Resources Disclosure

The moderating variable is the human resource disclosure (HRD), which is measured by human resources disclosure index (HRDI). HRDI is developed to measure the level of disclosure of human resources in the company's annual report. HRDI is obtained by using the content analysis technique. The content analysis approach, is used to analyse the annual report of banking companies conducted in this study. Content analysis is a method often used in Human Capital research, Intellectual Capital, and CSR disclosure (Guthrie et al., 2004). This study uses seven categories of human resource disclosure index (HRDI) consisting of 30 items, which can be seen in Appendix 2 in this study.

Measurement of Financial Performance

Financial performance is the dependent variable in this study. To assess the performance of management, this can be done with financial analysis, which includes the analysis of financial ratios, and the analysis of the weaknesses and financial strength of the company, so it can show the performance of management in the past period and prospects in the coming period. Financial performance is measured using earnings per share (EPS) as an indicator (Akindehinde et al., 2015; Rehman et al, 2011; Venugopal & Subha, 2015). EPS shows the profit amount of each share in a certain period. The higher the EPS of a company, the higher the company's ability to give earning to shareholders. Thus, in this study, the financial performance is measured using earnings per share (EPS) by dividing net income with average outstanding shares.

Measurement of Control Variables

This study uses several control variables, such as firm size (SIZE) measured by total assets; capital adequacy ratio (CAR) measured by dividing capital by weighted assets according to the risk divided by one hundred percent; non-performing loan (NPL) measured by dividing problem loans with the loan rate given by one hundred percent; the age of the company (Age) measured by the length of companies listed on the Indonesia Stock Exchange (IDX); and the auditor type (DA), which is measured by dummy variable that has value 1 for firms audited by Big 4 audit firms, and value 0 for companies not audited by Big 4 audit firms. A summary of the operational definition of variables can be seen in Appendix 1 of this study.

Results and Discussion

Descriptive Statistics and Univariate Analysis

Measurement and definition of all variables used in this study are explained more specifically in Appendix 1. Table 1 shows the distribution of the sample by year. This is because the sample used in this research is one industry sector, which is banking companies in Indonesia. The second column shows that as many as 16.28% of companies have considerable government ownership with a total of n value 21, while the third column shows as many as 83.72% with a total n value of 108 without government ownership of from 129 observations.

Table 1: Sample Distribution

Year	Company with Government Ownership		Company without Government Ownership		Total	
	N	%	N	%	N	%
2014	7	16.28	36	83.72	43	100
2015	7	16.28	36	83.72	43	100
2016	7	16.28	36	83.72	43	100
Total	21	16.28	108	83.72	129	100

Notes: This table displays distribution of sample banking companies by year with and without government ownership from 129 companies listed on the IDX in 2014-2016.

Table 2 shows descriptive statistics. Financial performance is measured using EPS proxy, which has a mean value of 112.834. The average company has SIZE of Rp 113,000,000,000,000,000. GovP and HRD have an average of 9.377 and 16.953, respectively. We also provide the detailed score of HRD Index of our samples in the form of their amount (number) in Appendix 3, the percentage in Appendix 4 and by year in Appendix 5.

Table 2: Descriptive Statistics

Var.	Mean	Median	Minimum	Maximum
EPS	112.834	17.000	-368.000	1030.430
GovP	9.377	0.000	0.000	80.000
HRD	16.953	17.000	9.000	24.000
SIZE	113,000,000,000,000	20,020,000,000,000	745,600,000,000	1,039,000,000,000,000
CAR	19.392	18.410	10.050	35.120
NPL	2.929	2.590	0.000	15.820
Age	5.736	7.000	0.000	9.000
DA	0.620	1.000	0.000	1.000

Notes: This table shows descriptive statistics for all variables used in this study. The sample in this study amounted to 129 companies listed on the IDX in 2014-2016. **EPS** is the net income divided by average of outstanding share; **GovP** is the dummy variable: 1 for companies with government ownership and 0 for otherwise; **HRD** is HRD Index and scored by our content analysis technique; **SIZE** is the natural logarithm of total assets; **CAR** is capital divided by weighted assets according to the risk by one hundred percent; **NPL** is problem loans divided by loan rate given by one hundred percent; **Age** is length of companies listed on the Indonesia Stock Exchange (IDX); **DA** is dummy variable, 1 for firms audited by Big 4 audit firms, and 0 for otherwise.

Table 3 shows the results of the Pearson correlation. The relationship between GovP and EPS variables is positive and significant with a 1% significance level. It means that firms with government ownership will produce higher EPS. EPS has a positive and significant relationship with several variables, namely HRD, SIZE, Age, and DA with a significance level of 1%. This shows that with any increase or decrease in the EPS variable, those variables will change in the direction of EPS variables, while the EPS relationship with NPL is negative and significant with 1% significance level. The last variable is CAR, such as the relationship between EPS and CAR variables are negative and not significant.

Table 3: Pearson Correlation

	EPS	GovP	HRD	SIZE	CAR	NPL	Age	DA
EPS	1.000							
GovP	0.510*** (0.000)	1.000						
HRD	0.422***	0.283***	1.000					

	(0.000)	(0.001)						
SIZE	0.685***	0.488***	0.594***	1.000				
	(0.000)	(0.000)	(0.000)					
AR	-0.036	-0.031	-0.078	-0.219**	1.000			
	(0.685)	(0.725)	(0.382)	(0.013)				
NPL	-	0.020	-0.004	-0.011	-0.021	1.000		
	0.234***							
	(0.008)	(0.823)	(0.962)	(0.900)	(0.811)			
Age	0.268***	0.053	0.435***	0.641***	-	0.234***	1.000	
					0.291***			
	(0.002)	(0.548)	(0.000)	(0.000)	(0.001)	(0.008)		
DA	0.340***	0.210**	0.450***	0.577***	-0.111	-0.122	0.410***	1.000
	(0.000)	(0.017)	(0.000)	(0.000)	(0.212)	(0.168)	(0.000)	

Notes: This table shows the Pearson correlation test result from 129 companies listed on the IDX in 2014-2016 with $t^* t > 1,657$, $t^{**} t > 1,979$, $t^{***} t > 2,617$, significance at 10%, 5%, and 1%. **EPS** is the net income divided by average of outstanding share; **GovP** is dummy variable: 1 for companies with government ownership and 0 for otherwise; **HRD** is HRD Index and scored by our content analysis technique; **SIZE** is the natural logarithm of total assets; **CAR** is capital divided by weighted assets according to the risk by one hundred percent; **NPL** is problem loans divided by loan rate given by one hundred percent; **Age** is length of companies listed on the Indonesia Stock Exchange (IDX); **DA** is dummy variable, 1 for firms audited by Big 4 audit firms, and 0 for otherwise.

Table 4 shows the results of independent t-test based on government ownership and financial performance. Companies with government ownership have higher performance measured by EPS. Judging from firm size (SIZE) and auditor type (DA), companies with significant government ownership have a larger size or higher total assets and are audited by Big 4 audit firms.

Table 4: *T-Test*

Variables	Company with Government Ownership	Company without Government Ownership	mean <i>t</i> -statistic
	N=21	N=108	
EPS	401.640	56.677	7.222***
HRD	19.714	16.417	3.902***
SIZE	39.930	37.294	7.031***
CAR	18.390	19.587	-0.999
NPL	3.004	2.915	0.148
Age	6.571	5.574	1.306
DA	0.905	0.565	3.017***

Notes: This table shows the characteristics of companies with and without government ownership from 129 companies listed on the IDX in 2014-2016. The t-test result are displayed with * $t > 1,657$ ** $t > 1,979$, *** $t > 2,617$, significance at 10%, 5%, and 1%. **EPS** is the net income divided by average of outstanding share; **GovP** is dummy variable: 1 for companies with government ownership and 0 for otherwise; **HRD** is HRD Index and scored by our content analysis technique; **SIZE** is the natural logarithm of total assets; **CAR** is capital divided by weighted assets according to the risk by one hundred percent; **NPL** is problem loans divided by loan rate given by one hundred percent; **Age** is Length of companies listed on the Indonesia Stock Exchange (IDX); **DA** is dummy variable, 1 for firms audited by Big 4 audit firms, and 0 for otherwise.

Primary Analysis

Government Ownership and Financial performance

To test the first hypothesis in this study, the authors use the ordinary least squares regression model with the following equation:

$$EPS_{i,t} = \beta_0 + \beta_1 GovP_{i,t} + \beta_2 HRD_{i,t} + \beta_3 SIZE_{i,t} + \beta_4 CAR_{i,t} + \beta_5 NPL_{i,t} + \beta_6 Age_{i,t} + \beta_7 DA_{i,t} + \varepsilon_{i,t}$$

Table 5 presents the results of OLS and OLS robust regressions between government ownership variables in financial performance variables. In the EPS column with OLS, the GovP coefficient is 0.020, and the t-value is 2.54, the significance is at the 5% level. In the EPS column with OLS with robust regression, the GovP coefficient of 0.020 and the t-value of 1.71, the significance is at the 10% level. Both regression results show that government ownership has a positive and significant effect on company performance. These results are consistent with

the hypothesis that firms with government ownership will result in higher financial performance. The value of r^2 in EPS shows that the regression results are able to explain the relationship between the independent and dependent variables by 58.5%.

Table 5: Government Ownership and Financial performance

Variables	Predicted significance	EPS	
		OLS	OLS <i>robust</i>
GovP	+	0.020** (2.54)	0.020* (1.71)
HRD	+	0.030 (0.62)	0.030 (0.71)
SIZE	+	0.894*** (6.18)	0.894*** (5.34)
CAR	+	0.045 (1.42)	0.045* (1.83)
NPL	-	-0.204*** (-3.33)	-0.204*** (-2.78)
Year Dummy		<i>Included</i>	<i>Included</i>
Industry Dummy		<i>Included</i>	<i>Included</i>
r^2		0.585	0.585
<i>N</i>		129	129

Notes: This table shows the result of multiple linear regression between government ownership and financial performance from 129 companies listed on the IDX 2014-2016 with * $t > 1,657$ ** $t > 1,979$, *** $t > 2,617$, significance at 10%, 5%, and 1%. **EPS** is the net income divided by average of outstanding share; **GovP** is dummy variable: 1 for companies with government ownership and 0 for otherwise; **HRD** is HRD Index and scored by our content analysis technique; **SIZE** is the natural logarithm of total assets; **CAR** is capital divided by weighted assets according to the risk by one hundred percent; **NPL** is problem loans divided by loan rate given by one hundred percent; **Age** is length of companies listed on the Indonesia Stock Exchange (IDX); **DA** is dummy variable, 1 for firms audited by Big 4 audit firms, and 0 for otherwise.

Interaction of Government Ownership and Extent of Human Resource Disclosure to Company Performance

To test the second hypothesis in this study, the authors use the ordinary least squares regression model with the following equation:

$$EPS_{i,t} = \beta_0 + \beta_1 GovP_HRD_{i,t} + \beta_2 GovP_{i,t} + \beta_3 HRD_{i,t} + \beta_4 SIZE_{i,t} + \beta_5 CAR_{i,t} + \beta_6 NPL_{i,t} + \beta_7 Age_{i,t} + \beta_8 DA_{i,t} + \varepsilon_{i,t}$$

Table 6 presents OLS and OLS robust regression results of interaction variables government ownership and the extent of human resource disclosure to financial performance. In the EPS column with OLS, the GovP_HRD coefficient is 0.010 and the t-value is 4.96, the significance is at the 1% level. In the EPS column with OLS with robust regression, GovP_HRD coefficient 0.010 and t-value of 3.65, with significance at 1% level. Both results of the above regressions indicate that, if there is an interaction between independent variables, then the government ownership and the extent of human resources disclosure have both a positive and significant impact on company performance. These results are consistent with the second hypothesis that firms with higher government ownership and higher human resources disclosure result in higher financial performance. The value of r^2 on EPS shows that the regression result can explain the relation of the independent and dependent variable equal to 65.7%.

Table 6: Interaction of Government Ownership and Human Resource Disclosure to Financial performance

Variable	Predicted significance	EPS	
		OLS	OLS <i>robust</i>
GovP x HRD	+	0.010 ^{***} (4.96)	0.010 ^{***} (3.05)
GovP	-	-0.172 ^{***} (-4.38)	-0.172 ^{***} (-3.00)
HRD	-	-0.010 (-0.22)	-0.010 (-0.24)
SIZE	+	0.823 ^{***} (6.19)	0.823 ^{***} (4.74)
CAR	+	0.044 (1.52)	0.044 [*] (1.85)
NPL	-	-0.192 ^{***} (-3.42)	-0.192 ^{**} (-2.58)
Year Dummy		<i>Included</i>	<i>Included</i>
Industry Dummy		<i>Included</i>	<i>Included</i>
r^2		0.657	0.657
N		129	129

Notes: This table shows the result of multiple linear regression between government ownership and extent of human resource disclosure to financial performance from 129 companies listed

on the IDX 2014-2016 with * $t > 1,657$ ** $t > 1,979$, *** $t > 2,617$, significance at 10%, 5%, and 1%. **EPS** is the net income divided by average of outstanding share; **GovP** is dummy variable: 1 for companies with government ownership and 0 for otherwise; **HRD** is HRD Index and scored by our content analysis technique; **SIZE** is the natural logarithm of total assets; **CAR** is capital divided by weighted assets according to the risk by one hundred percent; **NPL** is problem loans divided by loan rate given by one hundred percent; **Age** is length of companies listed on the Indonesia Stock Exchange (IDX); **DA** is dummy variable, 1 for firms audited by Big 4 audit firms, and 0 for otherwise.

Conclusion

This study analyzes how both the government ownership relationship and the extent of human resources disclosure influence on financial performance. This study finds that government ownership has a positive and significant effect on financial performance. It means that companies with government ownership result in higher performance. This is because the government, as the majority shareholder, has the authority to control the management behaviour. Government ownership can be useful in resolving conflicts of interest in the company so that the company will be in stable condition and the realization of corporate objectives is reflected in improving company performance. Furthermore, the interaction of government ownership and the extent of human resource disclosure have a positive and significant impact on the performance of the company, meaning that companies with high government disclosure of human resources possess higher performance compared to companies with government ownership that disclose lower human resources. This suggests companies tend to present open information. Thus, the government, as the majority shareholder gives the trust to the company to keep managing the fund. Such trust will result in good policy direction and favourable decisions that can improve the company's performance.

This study can give consideration to the government in making investment policy, in order to make banking companies in Indonesia as a profitable place to invest. This is because the greater the government ownership in the company will result in high performance of the company. Consideration for management in determining the policy to improve company performance is by expanding investment cooperation with the government, and about establishing a policy of necessity to do human resource disclosure.



REFERENCES

- Ab Razak, N. H., Ahmad, R., & Aliahmed, H. J (2008). Government ownership and performance: An analysis of listed companies in Malaysia. *Corporate Ownership and Control*, Vol. 6 No. 2, pp. 434-442.
- Akindehinde, A., Enyi, P.E., Olutokunbo, A.O (2015). Human Assets Accounting and Corporate Performance”, *American International Journal of Contemporary Research*, Vol. 5 No. 1, pp.45-52
- Carroll, A. B., & Buchholtz, A. K (2003), *Business and Society: Ethics and Stakeholder Managemet*, fifth Edition, Thomson South-Western, Mason, OH.
- Chauldary & Sharma, B (2012). Impact of Employee Motivation on Performance (Productivity) in Private Organization. *International Journal of Business Trend and Technology*. Pp. 29-35
- Harymawan, I., Nowland, J., & Nowland, J. (2016). Political connections and earnings quality: How do connected firms respond to changes in political stability and government effectiveness? *International Journal of Accounting & Information Management*. Vol 24 No. 4 pp. 339-356.
- Jensen, M.C & Meckling, W.H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*. Vol. 3 No.4 pp.305-360
- Mahadwartha, P. A., & Ismiyanti, F. (2008). Debt policy, free cash flow hypothesis, and balancing of agency theory through ownership: Evidence from Indonesia. *Corporate Ownership and Control*, 5(2), 256-263.
- Mahrani, M., & Soewarno, N. (2018). The effect of good corporate governance mechanism and corporate social responsibility on financial performance with earnings management as mediating variable. *Asian Journal of Accounting Research*, 3(1), 41-60.
- Najid, N. A. & Rasyidah A.R. (2011). Government Ownersip and Performance of Malaysian Government-Linked Companies. *International Research Journal of Finance and Economics*.
- Rehman, W. U., Chaudhary, A. R., Rehman, H. U., & Zahid, A. (2011). Intellectual capital performance and its impact on corporate performance: An empirical evidence from MODARABA sector of Pakistan. *Australian journal of business and management*



research, Vol. 1 No. 5.

- Singh, I., & Mitchell Van der Zahn, J. L. W. (2008). Determinants of intellectual capital disclosure in prospectuses of initial public offerings. *Accounting and Business research*, Vol. 38 No.5 pp. 409-431.
- Sun, Q. & W. H. S. Tong. (2002). Malaysian Privatization: A Comprehensive Study. *Financial Management*, pp. 79-105
- Swart, J, (2006). Intellectual Capital: Disentangling an Enigmatic Concept. *Journal of Intellectual Capital*. Vol. 7 No. 2 pp. 136-59
- Siddiqui, K., & Anjum, M. (2013). Perceptions towards credit card usage: Factor analytic finding from Pakistan. *International Journal of Economics Business and Management Studies*, 2(3), 128-135.
- Ting, I. W. K., & Lean, H. H. (2015). Does government ownership matter? Comparative study between GLCs and NGLCs in Malaysia. *The Singapore Economic Review*, Vol. 60 No. 02.
- Tran, N. M., Nonneman, W., & Jorissen, A. (2014). Government ownership and firm performance: the case of Vietnam. *International Journal of Economics and Financial Issues*, Vol. 4 No. 3 pp. 628-650.
- Venugopal, D & Subha M. V. (2015). Impact of Intellectual Capital on Corporate Performance. *Managing Intellectual Capital and Innovation for Sustainable and Inclusive Society*, pp. 675-686
- Vergauwen, P. G. M. C. & Van Alem, F. J. C. (2005). Annual Report IC Disclosure in the Netherlands, France, and Germany. *Journal of Intellectual Capital*. Vol. 6 No.1 pp. 89-104
- Yonnedi, E. & Sari D.Y. Impact of Corporate Governance Mechanisms on Financial performance: Evidence from Indonesia's State – Owned Enterprises (SOEs). *Simposium Nasional Akuntansi 12*. 2009.

APPENDIX

Appendix 1: Variable Operational Definitions and Measurement

Variables	Proxies	Sources
Dependent : EPS	Net income divided by average of outstanding share	FR
Independent : GovP	Dummy variable: 1 for companies with government ownership and 0 companies without government ownership	AR
Moderation : HRD	<i>Content analysis</i>	AR
Control : SIZE	Natural logarithm of total assets	FR
CAR	Capital divided by weighted assets according to the risk by one hundred percent.	FR
NPL	Problem loans divided by loan rate given by one hundred percent.	FR
Age	Length of companies listed on the Indonesia Stock Exchange (IDX)	AR
DA	Dummy variable, 1 for firms audited by Big 4 audit firms, and 0 for companies not audited by Big 4 audit firms	FR

Appendix 2: Information of Human Resources Disclosure Index (HRDI) in Annual Report

No.	Categories of <i>Disclosure</i>	Items of <i>Disclosure</i>
1.	HR Policies (5)	<ul style="list-style-type: none"> - Policy of compensation - Policy of reward - Policy of recruitment - Policy of training - Policy related to human resource development
2.	Financial Information on HR (7)	<ul style="list-style-type: none"> - Statutory wages (salaries) - Employee/Executive compensation - Awards & rewards for good performance - Amount spent on recruitment and selection - Amount spent on training - Employee life insurance - Superannuation fund

3.	Health and Safety at Work (1)	- Health and safety at work
4.	HR Relationship & Culture (4)	- Employee attitude/behavior - Employee commitments - Employee to employee relationship - Management to employee relationship
5.	Basic HR Information (7)	- Number of employees - Employee education - Work-related knowledge - Work-related competencies - Employee age - Categories of employee by sex - Special know how/skill/knowledge
6.	HR Importance to organization (2)	- Performance recognition - Recognition of human resources as an important resource of the organization
7.	HR Development (4)	- Employee career development - Training program - Categories of employees trained - Number of employees trained

Appendix 3: Score Human Resource Disclosure Index (HRDI) Classified into 7 Category (Number)

No	Bank Names	HR Policy (5)			Financial Information on HR (7)			Health and Safety at Work (1)			HR Relationship & Culture (4)			Basic HR Information (7)			HR Importance to Organization (2)			HR Development (4)		
		2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
1	Bank Rakyat Indonesia Agro Niaga Tbk	5	5	5	7	7	7	0	1	1	2	3	3	3	4	4	0	1	1	3	3	3
2	Bank Agris Tbk	4	2	2	5	5	5	1	1	1	2	1	2	2	2	2	2	2	2	1	1	1
3	Bank Artos Indonesia Tbk	3	3	3	4	4	4	0	0	0	1	1	1	2	2	2	1	1	1	2	2	2
4	Bank MNC Internasional Tbk	4	5	5	5	5	5	1	1	1	0	2	2	3	4	4	2	2	2	2	3	3
5	Bank Capital Indonesia Tbk	3	3	3	2	2	2	0	0	0	1	1	1	2	2	2	2	2	2	3	2	2
6	Bank Central Asia Tbk	5	5	5	5	5	5	1	1	1	3	3	3	3	3	3	2	2	2	3	3	3
7	Bank Harda Internasional Tbk	3	3	2	3	3	3	0	0	1	0	0	0	3	3	3	1	1	0	2	1	1
8	Bank Bukopin Tbk	4	3	4	4	4	4	1	1	1	1	1	4	4	4	5	2	2	2	2	2	2



9	Bank Mestika Dharma Tbk	2	2	2	4	4	5	1	1	1	2	2	1	4	4	4	1	1	2	1	1	1
10	Bank Negara Indonesia (Persero) Tbk	5	5	4	3	3	4	0	1	1	2	3	3	5	5	5	1	1	1	3	3	3
11	Bank Nusantara Parahyangan Tbk	5	5	4	6	6	6	1	1	1	1	1	1	3	4	4	2	1	1	2	2	2
12	Bank Rakyat Indonesia (Persero) Tbk	5	4	4	6	6	6	1	1	1	3	3	3	3	4	4	1	1	1	3	3	3
13	Bank Tabungan Negara (Persero) Tbk	5	5	5	3	3	5	1	1	1	4	3	3	4	4	4	2	2	2	2	3	4
14	Bank Yudha Bhakti Tbk	3	4	4	2	5	5	0	0	0	1	1	1	3	3	3	1	2	2	1	1	1
15	Bank J Trust Indonesia Tbk	5	5	5	3	4	4	1	1	1	2	2	2	3	4	4	2	2	2	2	2	2
16	Bank Danamon Indonesia Tbk	4	5	5	4	3	4	1	0	0	1	1	1	3	4	4	2	2	2	2	3	3
17	Bank Pembangunan	3	3	4	3	3	3	1	1	1	2	2	2	3	3	3	2	1	2	4	3	2

	n Daerah Banten Tbk																					
18	Bank Ganesha Tbk	2	4	5	2	2	3	0	1	1	1	1	1	5	5	5	1	1	2	1	1	3
19	Bank Ina Perdana Tbk	3	3	4	2	4	5	0	1	1	1	2	3	3	3	4	1	1	1	2	2	2
20	Bank Jabar Banten Tbk	5	5	5	4	3	3	0	0	1	2	1	1	3	5	3	2	2	1	2	3	3
21	Bank Pembangunan Daerah Jawa Timur Tbk	3	5	5	6	2	3	1	1	1	1	0	0	2	2	2	2	2	1	2	3	3
22	Bank QNB Indonesia Tbk	4	4	4	4	7	7	1	1	1	1	1	1	3	3	3	1	1	1	2	3	3
23	Bank Maspion Indonesia Tbk	5	5	5	3	4	4	0	0	1	1	1	1	3	3	4	2	2	2	1	2	2
24	Bank Mandiri (Persero) Tbk	4	5	5	4	5	5	1	1	1	2	2	2	4	4	4	2	2	2	2	3	3
25	Bank Bumi Arta Tbk	2	3	3	3	3	5	0	0	1	1	2	1	3	3	3	0	0	1	1	1	2
26	Bank CIMB Niaga Tbk	5	5	5	6	6	6	1	1	1	2	2	2	3	3	4	2	2	2	2	2	3
27	Bank Maybank	5	5	5	6	6	6	1	1	1	2	2	2	3	4	4	2	1	1	3	3	3



	Indonesia Tbk																					
28	Bank Permata Tbk	3	3	2	4	4	4	0	1	1	2	2	1	3	3	3	1	0	1	1	1	1
29	Bank Sinar Mas Tbk	4	4	4	3	3	4	1	1	1	1	1	1	4	3	3	1	2	1	2	2	3
30	Bank of India Indonesia Tbk	1	2	0	5	5	4	0	0	0	0	0	1	3	3	3	0	0	0	1	1	0
31	Bank Tabungan Pensiunan Nasional Tbk	2	2	2	6	6	6	0	0	0	1	0	0	3	3	3	1	1	0	2	2	2
32	Bank Victoria International Tbk	5	5	5	6	5	5	1	1	1	0	0	2	4	4	3	2	1	1	3	3	3
33	Bank Dinar Indonesia Tbk	3	3	3	5	4	5	0	0	0	1	1	1	3	3	3	1	1	1	2	1	1
34	Bank Artha Graha International Tbk	4	4	5	3	5	5	1	1	1	1	3	2	4	4	4	1	1	1	3	3	3
35	Bank Mayapada International Tbk	4	4	4	3	3	3	1	1	1	2	1	1	2	2	2	1	1	1	2	2	2



36	Bank China Construction Bank Ind. Tbk	2	2	2	4	4	4	0	0	0	1	1	1	3	3	3	1	1	1	2	2	2
37	Bank Mega Tbk	3	3	4	4	4	4	0	0	1	1	1	1	4	4	3	1	0	2	3	3	3
38	Bank Mitraniaga Tbk	1	1	1	3	3	4	0	0	0	0	0	0	2	4	4	1	1	1	2	1	1
39	Bank OCBC NISP Tbk	5	5	5	4	4	3	1	1	1	2	3	3	5	4	4	2	1	2	3	3	3
40	Bank Nationalnob u Tbk	4	4	3	4	5	5	0	0	0	2	2	2	3	3	3	1	1	0	2	2	2
41	Bank Pan Indonesia Tbk	4	5	4	4	4	4	0	0	1	2	2	2	3	3	4	1	1	1	3	2	2
42	Bank Panin Syariah Tbk	5	4	4	4	4	4	0	0	1	1	1	1	2	2	2	1	2	1	3	3	3
43	Bank Woori Saudara Indonesia 1906 Tbk	3	3	3	4	5	5	1	1	1	1	1	1	4	2	2	1	1	1	2	2	2

Appendix 4: Score Human Resource Disclosure Index (HRDI) Classified into 7 Category (Percentages)

No	Bank Names	HR Policy (5)	Financial Information on HR (7)	Health and Safety at Work (1)	HR Relationship & Culture (4)	Basic HR Information (7)	HR Importance to Organization (2)	HR Development (4)
----	------------	---------------	---------------------------------	-------------------------------	-------------------------------	--------------------------	-----------------------------------	--------------------

		2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
1	Bank Rakyat Indonesia Agro Niaga Tbk	100	100	100	100	100	100	0	100	100	50	75	75	42.9	57.1	57.1	0	50	50	75	75	75
2	Bank Agris Tbk	80	40	40	71.4	71.4	71.4	100	100	100	50	25	50	28.6	28.6	28.6	100	100	100	25	25	25
3	Bank Artos Indonesia Tbk	60	60	60	57.1	57.1	57.1	0	0	0	25	25	25	28.6	28.6	28.6	50	50	50	50	50	50
4	Bank MNC Internasional Tbk	80	100	100	71.4	71.4	71.4	100	100	100	0	50	50	42.9	57.1	57.1	100	100	100	50	75	75
5	Bank Capital Indonesia Tbk	60	60	60	28.6	28.6	28.6	0	0	0	25	25	25	28.6	28.6	28.6	100	100	100	75	50	50
6	Bank Central Asia Tbk	100	100	100	71.4	71.4	71.4	100	100	100	75	75	75	42.9	42.9	42.9	100	100	100	75	75	75
7	Bank Harda Internasional Tbk	60	60	40	42.9	42.9	42.9	0	0	100	0	0	0	42.9	42.9	42.9	50	50	0	50	25	25
8	Bank Bukopin Tbk	80	60	80	57.1	57.1	57.1	100	100	100	25	25	100	57.1	57.1	71.4	100	100	100	50	50	50
9	Bank Mestika Dharma Tbk	40	40	40	57.1	57.1	71.4	100	100	100	50	50	25	57.1	57.1	57.1	50	50	100	25	25	25
10	Bank Negara Indonesia (Persero) Tbk	100	100	80	42.9	42.9	57.1	0	100	100	50	75	75	71.4	71.4	71.4	50	50	50	75	75	75
11	Bank Nusantara Parahyangan Tbk	100	100	80	85.7	85.7	85.7	100	100	100	25	25	25	42.9	57.1	57.1	100	50	50	50	50	50
12	Bank Rakyat Indonesia (Persero) Tbk	100	80	80	85.7	85.7	85.7	100	100	100	75	75	75	42.9	57.1	57.1	50	50	50	75	75	75



13	Bank Tabungan Negara (Persero) Tbk	100	100	100	42.9	42.9	71.4	100	100	100	100	75	75	57.1	57.1	57.1	100	100	100	50	75	100
14	Bank Yudha Bhakti Tbk	60	80	80	28.6	71.4	71.4	0	0	0	25	25	25	42.9	42.9	42.9	50	100	100	25	25	25
15	Bank J Trust Indonesia Tbk	100	100	100	42.9	57.1	57.1	100	100	100	50	50	50	42.9	57.1	57.1	100	100	100	50	50	50
16	Bank Danamon Indonesia Tbk	80	100	100	57.1	42.9	57.1	100	0	0	25	25	25	42.9	57.1	57.1	100	100	100	50	75	75
17	Bank Pembangunan Daerah Banten Tbk	60	60	80	42.9	42.9	42.9	100	100	100	50	50	50	42.9	42.9	42.9	100	50	100	100	75	50
18	Bank Ganesha Tbk	40	80	100	28.6	28.6	42.9	0	100	100	25	25	25	71.4	71.4	71.4	50	50	100	25	25	75
19	Bank Ina Perdana Tbk	60	60	80	28.6	57.1	71.4	0	100	100	25	50	75	42.9	42.9	57.1	50	50	50	50	50	50
20	Bank Jabar Banten Tbk	100	100	100	57.1	42.9	42.9	0	0	100	50	25	25	42.9	71.4	42.9	100	100	50	50	75	75
21	Bank Pembangunan Daerah Jawa Timur Tbk	60	100	100	85.7	28.6	42.9	100	100	100	25	0	0	28.6	28.6	28.6	100	100	50	50	75	75
22	Bank QNB Indonesia Tbk	80	80	80	57.1	100	100	100	100	100	25	25	25	42.9	42.9	42.9	50	50	50	50	75	75
23	Bank Maspion Indonesia Tbk	100	100	100	42.9	57.1	57.1	0	0	100	25	25	25	42.9	42.9	57.1	100	100	100	25	50	50
24	Bank Mandiri (Persero) Tbk	80	100	100	57.1	71.4	71.4	100	100	100	50	50	50	57.1	57.1	57.1	100	100	100	50	75	75
25	Bank Bumi Arta Tbk	40	60	60	42.9	42.9	71.4	0	0	100	25	50	25	42.9	42.9	42.9	0	0	50	25	25	50



26	Bank CIMB Niaga Tbk	100	100	100	85.7	85.7	85.7	100	100	100	50	50	50	42.9	42.9	57.1	100	100	100	50	50	75
27	Bank Maybank Indonesia Tbk	100	100	100	85.7	85.7	85.7	100	100	100	50	50	50	42.9	57.1	57.1	100	50	50	75	75	75
28	Bank Permata Tbk	60	60	40	57.1	57.1	57.1	0	100	100	50	50	25	42.9	42.9	42.9	50	0	50	25	25	25
29	Bank Sinar Mas Tbk	80	80	80	42.9	42.9	57.1	100	100	100	25	25	25	57.1	42.9	42.9	50	100	50	50	50	75
30	Bank of India Indonesia Tbk	20	40	0	57.1	71.4	57.1	0	0	0	0	0	25	42.9	42.9	42.9	0	0	0	25	25	0
31	Bank Tabungan Pensiunan Nasional Tbk	40	40	40	85.7	85.7	85.7	0	0	0	25	0	0	42.9	42.9	42.9	50	50	0	50	50	50
32	Bank Victoria International Tbk	100	100	100	85.7	71.4	71.4	100	100	100	0	0	50	57.1	57.1	42.9	100	50	50	75	75	75
33	Bank Dinar Indonesia Tbk	60	60	60	71.4	57.1	71.4	0	0	0	25	25	25	42.9	42.9	42.9	50	50	50	50	25	25
34	Bank Artha Graha International Tbk	80	80	100	42.9	71.4	71.4	100	100	100	25	75	50	57.1	57.1	57.1	50	50	50	75	75	75
35	Bank Mayapada International Tbk	80	80	80	42.9	42.9	42.9	100	100	100	50	25	25	28.6	28.6	28.6	50	50	50	50	50	50
36	Bank China Construction Bank Ind. Tbk	40	40	40	57.1	57.1	57.1	0	0	0	25	25	25	42.9	42.9	42.9	50	50	50	50	50	50
37	Bank Mega Tbk	60	60	80	57.1	57.1	57.1	0	0	100	25	25	25	57.1	57.1	42.9	50	0	100	75	75	75



38	Bank Mitraniaga Tbk	20	20	20	42.9	42.9	57.1	0	0	0	0	0	0	0	0	28.6	57.1	57.1	50	50	50	50	25	25
39	Bank OCBC NISP Tbk	100	100	100	57.1	57.1	42.9	100	100	100	50	75	75	71.4	57.1	57.1	100	50	100	75	75	75		
40	Bank Nationalnobu Tbk	80	80	60	57.1	71.4	71.4	0	0	0	50	50	50	42.9	42.9	42.9	50	50	0	50	50	50		
41	Bank Pan Indonesia Tbk	80	100	80	57.1	57.1	57.1	0	0	100	50	50	50	42.9	42.9	57.1	50	50	50	75	50	50		
42	Bank Panin Syariah Tbk	100	80	80	57.1	57.1	57.1	0	0	100	25	25	25	28.6	28.6	28.6	50	100	50	75	75	75		
43	Bank Woori Saudara Indonesia 1906 Tbk	60	60	60	57.1	71.4	71.4	100	100	100	25	25	25	57.1	28.6	28.6	50	50	50	50	50	50		

Appendix 5: Total Human Resource Disclosure Index (HRDI) Year 2014-2016

No	Code	Bank Names	In Number			In Percentages (%)		
			2014	2015	2016	2014	2015	2016
1	AGRO	Bank Rakyat Indonesia Agro Niaga Tbk	20	24	24	52.55	79.59	79.59
2	AGRS	Bank Agris Tbk	17	14	15	65	55.71	59.29
3	ARTO	Bank Artos Indonesia Tbk	13	13	13	38.67	38.67	38.67
4	BABP	Bank MNC Internasional Tbk	17	22	22	63.47	79.08	79.08
5	BACA	Bank Capital Indonesia Tbk	13	12	12	45.31	41.73	41.73
6	BBCA	Bank Central Asia Tbk	22	22	22	80.61	80.61	80.61
7	BBHI	Bank Harda Internasional Tbk	12	11	10	35.1	31.53	35.82
8	BBKP	Bank Bukopin Tbk	18	17	22	67.04	64.18	79.8
9	BBMD	Bank Mestika Dharma Tbk	15	15	16	54.18	54.18	59.8
10	BBNI	Bank Negara Indonesia (Persero) Tbk	19	21	21	55.61	73.47	72.65
11	BBNP	Bank Nusantara Parahyangan Tbk	20	20	19	71.94	66.84	63.98
12	BBRI	Bank Rakyat Indonesia (Persero) Tbk	22	22	22	75.51	74.69	74.69
13	BBTN	Bank Tabungan Negara (Persero) Tbk	21	21	24	78.57	78.57	86.22
14	BBYB	Bank Yudha Bhakti Tbk	11	16	16	33.06	49.18	49.18
15	BCIC	Bank J Trust Indonesia Tbk	18	20	20	69.39	73.47	73.47
16	BDMN	Bank Danamon Indonesia Tbk	17	18	19	65	57.14	59.18
17	BEKS	Bank Pembangunan Daerah Banten Tbk	18	16	17	70.82	60.1	66.53
18	BGTG	Bank Ganesha Tbk	12	15	20	34.29	54.29	73.47
19	BINA	Bank Ina Perdana Tbk	12	16	20	36.63	69.08	69.08
20	BJBR	Bank Jabar Banten Tbk	18	19	17	57.14	62.24	62.24
21	BJTM	Bank Pembangunan Daerah Jawa Timur Tbk	17	15	15	64.18	56.63	56.63
22	BKSW	Bank QNB Indonesia Tbk	16	20	20	57.86	67.55	67.55
23	BMAS	Bank Maspion Indonesia Tbk	15	17	19	47.96	69.9	69.9
24	BMRI	Bank Mandiri (Persero) Tbk	19	22	22	70.61	79.08	79.08
25	BNBA	Bank Bumi Arta Tbk	10	12	16	25.1	57.04	57.04
26	BNGA	Bank CIMB Niaga Tbk	21	21	23	75.51	81.12	81.12
27	BNII	Bank Maybank Indonesia Tbk	22	22	22	79.08	73.98	73.98
28	BNLI	Bank Permata Tbk	14	14	13	40.71	48.57	48.57
29	BSIM	Bank Sinar Mas Tbk	16	16	17	57.86	61.43	61.43
30	BSWD	Bank of India Indonesia Tbk	9	11	8	20.71	17.86	17.86
31	BTPN	Bank Tabungan Pensiunan Nasional Tbk	15	14	13	41.94	31.22	31.22
32	BVIC	Bank Victoria International Tbk	21	19	20	73.98	69.9	69.9
33	DNAR	Bank Dinar Indonesia Tbk	15	13	14	42.76	39.18	39.18
34	INPC	Bank Artha Graha International Tbk	17	21	21	61.43	71.94	71.94
35	MAYA	Bank Mayapada International Tbk	15	14	14	57.35	53.78	53.78
36	MCOR	Bank China Construction Bank Ind. Tbk	13	13	13	37.86	37.86	37.86



37	MEGA	Bank Mega Tbk	16	15	18	46.33	68.57	68.57
38	NAGA	Bank Mitraniaga Tbk	9	10	11	27.35	29.9	29.9
39	NISP	Bank OCBC NISP Tbk	22	21	21	79.08	78.57	78.57
40	NOBU	Bank Nationalnobu Tbk	16	17	15	47.14	39.18	39.18
41	PNBN	Bank Pan Indonesia Tbk	17	17	18	50.71	63.47	63.47
42	PNBS	Bank Panin Syariah Tbk	16	16	16	47.96	59.39	59.39
43	SDRA	Bank Woori Saudara Indonesia 1906 Tbk	16	15	15	57.04	55	55
Average per Year			16	17	18	55%	57%	61%