Intellectual Capital Disclosure in Annual Reports of Islamic Banks: A Comparative Study of Malaysia and Indonesia

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Abstract: This study focuses on four specific objectives. Firstly, the study examines the extent and quality of the Intellectual Capital Disclosure (ICD) in the annual reports of Malaysian and Indonesian Islamic banks from 2009 until 2013. Secondly, it aims to examine the categories of ICD (extent and quality) in both Malaysian and Indonesian Islamic banks over time. Thirdly, this study also focuses on the comparison of the ICD of Malaysian and Indonesian Islamic banks during the study period of five years. Fourthly, the study determines the factors that influence the ICD in the annual reports of Malaysian and Indonesian Islamic banks. The extent of disclosure was measured by applying a checklist of 33 items. The results showed that the trend of ICD in the annual reports of Malaysian and Indonesian Islamic banks increased over the five years. Regulation should take these findings into consideration since both Malaysia and Indonesia aim to be Islamic financial hubs.

Keywords: Islamic Banks, Indonesia, Malaysia, Intellectual Capital Disclosure (ICD).