

A. Increasing Market Liquidity Through Intellectual Capital Disclosure (ICD)

Global challenges that occur in ASEAN countries is caused by the conversion of the policy framework made by the countries. As one of the challenges, financial crisis in ASEAN countries is well-faced and is marked as a success for ASEAN region. The success is due to the implementation of the broad range of economic and financial sector programs. Some of these programs also affect the monetary independence of ASEAN countries to be better and make them ready to face any external shocks. The policies applied in the program is usable to create local financial markets which then help to minimize the risk of currency exchange rate mismatches. The existence of the global crisis prepares ASEAN countries to be well-respond for any systematic risks that often occurs. In order to preserve the financial stability, ASEAN applies a policy carries out a management policy for regional financial integration to maintain on suppressing the risk while still can take benefit. As an effort to keep the stability of the countries' financial, ASEAN creates The ASEAN Economic Community (AEC).

The AEC agreement started to be implemented in 2016 and since then, there have been several changes in the business field, such as urbanization. Urbanization is the migration of citizens includes the workers in each ASEAN country.

According to Alhadab and Nguyen, urbanization is a result of an event that also affect the economic condition in the area involved (Alhadab & Nguyen, 2018; Nguyen & Nguyen, 2018). There are a lot of people join the urbanization since it provides workers with prominent income both in cash and in-kind both in rural and migration areas but with lower cost to reach big gap (Munshi & Rosenweig, 2016). The often this urbanization happens, workers in urbanization destination areas are threatened because the competitiveness level to get job is increasing. However, companies in ASEAN that is located in the urbanization destination areas gains benefit since it provides them excellent managerial human resources (Sun et al., 2019). In contrast, companies must have a great workforce management, so that they can maintain to keep their employee (Alhadab & Nguyen, 2018). Urbanization causes ASEAN to be a potential market that catch foreign businesses' attention. The phenomenon of urbanization becomes a way to exchange information. The advantage of this exchange proves by the quality of the society which have been equipped with the ability and skills in a specific field, so it is economical for the companies since it can save its operational cost (Masron, 2017; Alhadab & Nguyen, 2018).

By having AEC, it also creates rapid technology development which make people feel more comfortable in doing their activities (Johns & Perrot, 2008). The convenience leads people demand better quality and service while using products or services. Technology development makes companies work more as they have to keep developing their products or services to give better experience for the customers. The change caused by AEC generates a new economic environment known as knowledge-based economic environment (Wang et al., 2016; Cabrita et al.,

2017; Alfraih, 2018a; Joshi et al., 2018). The knowledge-based economic environment must be adjusted to suit the current technology development since the behavior of users who use banking products are also change. It leads a lot of banking industry developing their digital products. Enlarging the knowledge-based environments to develop banking products proves that it is indeed influential. Current technology commonly transfers the tangible asset role to an intangible asset role. As it is a continuous development, the role of intangible assets becomes the main reason banking companies create and manage the competitive advantages (Inkinen, 2015; Kamath, 2017; Poh et al., 2018).

Among the intangible assets, intellectual asset called intellectual capital (IC) is one of the main assets. Intellectual capital (IC) consists of four components, such as *Human Capital (HC)*, *Structural Capital (SC)*, *Relational Capital (RC)*, and *voluntary risk disclosure*. According to Singh, intellectual capital can be used to increase a company's competitive advantages (Singh et al., 2016). Seeing on its success, intellectual capital is used by managers to make corporate strategic decisions in the future (Ahmed Haji & Mohd Ghazali, 2012). In order to be able maintaining company's level, workers need to find an effective strategic, so they can compete in the highly competitive business world. IC indirectly increases the company's value and becomes trend among the investors since it helps them to decide the right thing to discipline company's management, so they can achieve their goals (Yang, 2018; Alfraih, 2018a). Even though IC plays a big role, it cannot be explicitly included in the financial report based on International Accounting Standard (IAS) 38 since it is an intangible asset (Nimtrakoon, 2015). Yang stated that, as IC

has become an important aspect in maintaining a company, it needs to be included in the company annual report as an additional value of a financial report (Yang, 2018).

Bank is a crucial industry that plays as the main role in economic industry. Its role is necessary since it helps to run the companies. The absence of banking will stop any economic recovery. Thus, this study is limited to examine the role of banking industry. Based on a study, financial service industry, like banking, depends on intellectual capital in competing within the industry (Bontis et al., 2009; Lim & Dallimore, 2004). One of the impactful components in a banking company is customers' trust which help the companies running by keeping their old customers as well as gaining new customers. As an effort to get customers' trust, build a healthy relationship is the key. Thus, it is important to present the *Human Capital* (HC) component by providing the best employee who serve the customers (Bontis et al., 2009).

Intangible assets become influential that makes tangible assets are no longer the main drive. However, a company needs tangible assets to run the company by making some innovations to maintain its credibility for the customers. Innovations created by the company often needs a big amount of money since it is a large investment. Thus, it cannot rely on company's internal fund. In order to fulfill the needs for the innovations, company needs to seek for investors or creditors. However, both investors and creditors will fund or invest in a company with low risk. In this case, Market Liquidity (ML) is measured to examine the market risk level. High level of market liquidity and stable stock price have higher possibility in being accepted by the investors or

creditors. The higher and stronger market liquidity encourage investors to accept and join the investment in the market (Elshandidy et al., 2018).

Intellectual Capital Disclosure (ICD) does bring impacts on banking industry considering its components are used in some parts to increase the level of market liquidity, such as ICD quality and company characteristics. The effects caused by ICD is provided in empirical evidence, so it can be studied. ICD is beneficial for the market prices because it causes a fluctuative market prices. The data provided are data of registered banking company from listed ASEAN countries, such as in Indonesia, the Philippines, Thailand, Singapore, Malaysia, and Vietnam. All data provided proves that either financial and non-financial information in the company's annual report help the managers, investors, and regulators in taking decisions.