

THE DETERMINANTS OF INTELLECTUAL CAPITAL DISCLOSURE
AMONG MALAYSIAN LISTED COMPANIES

BY

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ABSTRACT

The purpose of this study is to examine the extent of the intellectual capital (IC) disclosure by Malaysian listed companies. The study aims to investigate whether the following variables determine the IC disclosure by Malaysian listed companies. The variables tested in this study are; (1) age; (2) size; (3) leverage; (4) profit; (5) ownership; and (6) growth. A sample of 150 companies listed on Bursa Malaysia was selected consisting of five industries which are; Information Technology, Consumer Product, Industrial Product, Trading/Services and Finance. The content analysis, descriptive analysis and ordinary least squares (OLS) regression model are performed in this study. The total IC disclosed by the companies is measured using a modified model popularized by Bontis (2003) and Vergauwen and van Alem (2005). The results reveal the extent of the intellectual capital disclosure among Malaysian companies is still relatively low. However, the study reveals that, there is high intellectual capital disclosure among Malaysian listed companies as indicated at 72.6 percent. Besides that, out of six variables being tested, only three variables can be concluded as a determinant of intellectual capital among Malaysian companies. They are size, growth and director ownership.

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TABLE OF CONTENTS

Abstract	iii
Acknowledgement	iv
List of Tables	vii
List of Figures	viii
List of Abbreviations	viii

CHAPTER 1: INTRODUCTION

1.1 Background of the Study	1
1.2 Problem Statement	2
1.3 Research Questions	2
1.4 Research Objectives	3
1.5 Significance of the Study	4
1.6 Organization of the Thesis	5

CHAPTER 2: LITERATURE REVIEW

2.1 Development of IC in Malaysia	6
2.2 Definition of IC	8
2.3 The Importance of Disclosing IC	10
2.4 Theoretical Framework	10
2.5 Literatures on IC Disclosure	12
2.5.1 Intellectual capital reporting	12
2.5.2 Evidence on determinants of IC disclosure	14

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3.1 Hypotheses Development	17
3.1.1 Firm age	17
3.1.2 Firm size	17
3.1.3 Level of leverage	18
3.1.4 Ownership concentration	19
3.1.5 Profitability	20
3.1.6 Firm growth	21
3.2 Variables Measurement and Instrumentation	23
3.2.1 Measurement for dependent variable	23
3.2.2 Measurement for independent variables	24
3.3 Control Variables	25
3.4 Data Collection	26
3.4.1 Population and sample selection	26
3.4.2 Procedures	27

3.5	Data Analysis	28
3.5.1	Descriptive analysis	28
3.5.2	Content analysis and OLS regression model	28
CHAPTER 4: RESULTS AND FINDINGS		
4.1	Descriptive Results	31
4.2	Content Analysis	33
4.3	OLS Regression Model	38
4.3.1	Correlation	38
4.3.2	Multicollinearity	39
4.3.3	Regression result	40
CHAPTER 5: DISCUSSION AND CONCLUSION		
5.1	Summary and Conclusion of the Study	43
5.2	Limitations and Suggestion for Future Study	45
REFERENCES		47
APPENDICES		52

LIST OF TABLES

<u>Table No.</u>	<u>Page No.</u>
Table 1.1: Act under IPD	7
Table 4.1: Descriptive Statistics	31
Table 4.2: IC Related Items	34
Table 4.3: Number of Disclosed Items	35
Table 4.4: IC Disclosure –by items	38
Table 4.5: Correlation Result	39
Table 4.6: Multicollinearity Result	39
Table 4.7: Regression Result	40
Table 4.8: Regression Result –delete one outlier	42

LIST OF FIGURES

<u>Figure No.</u>	<u>Page No.</u>
Figure 3.1: Determinants of IC Disclosure	22

LIST OF ABBREVIATIONS

EBITDA	earning before interest, tax, depreciation and amortization expenses
et.al	(et alia); and others
i.e	(id est); that is
IC	intellectual capital
IPD	Intellectual Property Division
IPO	initial public offering
IT	information technology
MASB	Malaysian Accounting Standard Board
MCCG	Malaysia Code of Corporate Governance
MTBV	market to book value
OLS	ordinary least square
SPSS	Statistical Package for the Social Science
Stata	Statistics Analysis Data
VIF	Variance Inflating Factor

CHAPTER ONE

INTRODUCTION

1.1 Background of The Study

In the new economy which is knowledge-based economy; value creation become one of the crucial issues in the world and tends to be based on intangible rather than tangible assets. In the knowledge economy, companies' capital and resources consists of 80 percent of intangible assets and resources and 20 percent of tangibles. The high percentage of intangibles directly reflects the importance of intellectual capital in companies' capital and resource and has attracted researchers to study it (Ousama, 2007).

In Malaysia, the development of human capital like empowerment of the human mentality and intellectual capacity of the nations is one of the targeted area or government focus under the Ninth Malaysia Plan. Intellectual capital has been regarded as a prominent source of competitive advantage of various organizations, which influence the level of innovativeness and creativity that lead to the increase of business performance and a country's economic growth (Nik Maheran et al. 2006).

To be competitive in the global market, a progressive developing Asian country like Malaysia has to effectively transfer from just being an input-driven to a knowledge-driven economy that focuses more on utilizing human knowledge and skills, rather than on productions of labor-intensive goods (Goh, 2005).

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