

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 lease 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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## 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 lease 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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