Title: The Relationship between Intellectual Capital, Firms’ Market Value and Financial Performance: Empirical Evidence from Asian Countries

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Abstract*

The purpose of this research is to explore the extent of Intellectual Capital (IC) and its three components among Asian countries, and examine the relationship between firms’ IC, market value, and financial performance. The study uses the data of 220 technology firms listed on five Asian stock exchanges of year 2011. Pulic’s Value Added Intellectual Coefficient (VAIC™) model is adopted as a measure of efficiency from capital employed (VACA), human (VAHU) and structural capital (STVA). The Kruskal-Wallis one-way ANOVA and multiple regression analysis have been utilized to test the hypotheses. The results reveal that there is no significant difference in VAIC™ across five Asian countries; however, firms in each country tend to place a different degree of emphasis on VAIC™ components to generate total value of IC. The results further indicate a positive relationship between IC and stock market value, confirming that firms with greater IC tend to have better market performance. Nevertheless, the findings on relationship between IC and financial performance measures are mixed. Specifically, IC is found to be positively associated with margin ratio and ROA, but not with ROE, revenue growth, and employee productivity. VACA and VAHU are found to be the most influential value drivers for both market value and financial performance while STVA possesses less importance. This study contributes to the IC literature by expanding the knowledge of IC into the emerging economies, and providing a national comparative IC research when it is limited.

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