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Empirical Research on the Relationship Between the Increase of Market Capitalization and Intellectual Capital on Indonesian Listed Companies

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ABSTRACT

Objectives

The purpose of this thesis is to explore the relationship between the growth of company market capitalization with intellectual capital (IC), company's age, and industries of Indonesian listed companies. The purpose is furthermore to explain to if there is factors that might adjust the strength of this correlation

Method

This thesis uses data extracted from 40 Indonesian listed companies in four industry sectors, that are basic industry and chemical, consumer goods, infrastructure, utilities, & transportations, and trade, service, & investment within five years period (2002 – 2006). The company's intellectual capital is quantified using Value Added per employee (VA/e) and tested statistically by using regression model to explore the relationship between the independent and dependent variables.

Results and Conclusions

Findings of this study support the hypothesis that intellectual capitals do have a relationship, and positive, on the growth of company's market capitalization. Furthermore, the strength of this correlation is altered when the regression test is divided by a yearly basis. Whereas most of the correlations become strengthen year by year, this is because the awareness regarding intellectual capital is increasing. However, the correlation become weak when using age and industry sectors in the regression test. Finally, it can be concluded that there is a significant relationship between the growths in market capitalization with intellectual capital in 4 industry sectors within the Indonesia Stock Exchange (IDX).

Key words:

Intellectual Capital, Market Capitalization, Value Added per employee, Indonesia

PREFACE

First of all, the author would like to thank God Almighty that gives chances for the author to living such a wonderful life and completing this Thesis entitled **"Empirical Research on the Relationship Between the Increase of Market Capitalization and Intellectual Capital on Indonesian Listed Companies"**. This Thesis study is proposed to serve as the author's final project upon the completion of his undergraduate study at BINUS University International.

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Lastly, the author would hope that this thesis could be useful and valuable information in anyway. Any comments or suggestions are appreciated, because the author realizes that this thesis is far from perfect due to inexperience and limitations. Hopefully this thesis would bring benefits and provide additional information for the readers.

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