



**THE EFFECT OF INTELLECTUAL CAPITAL TOWARDS FINANCIAL
PERFORMANCE OF COMPANIES: AN ANALYSIS OF
MANUFACTURING SECTOR IN MALAYSIA**

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FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
SEGAMAT, JOHOR.**

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**Submitted in Partial Fulfillment
of the Requirement for the
Bachelor of Business Administration (Hons) Finance**

**FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
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DECLARATION OF ORIGINAL WORK

NUR SAFINAS BINTI ABDUL RAHMAN

2014204868

Hereby, declare that,

- ✓ This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees.
- ✓ This project paper is the result of my independent work and investigation, except where otherwise stated.
- ✓ All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: _____

Date: _____

LETTER OF SUBMISSION

26th Dec 2016

Puan Zaibedah Zaharum
Faculty of Business Management
Universiti Teknologi MARA
85009 SEGAMAT
JOHOR DARUL TAKZIM

Dear Madam,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled "**THE EFFECT OF INTELLECTUAL CAPITAL TOWARDS FINANCIAL PERFORMANCE OF COMPANIES: AN ANALYSIS OF MANUFACTURING SECTOR IN MALAYSIA**" to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you.

Yours sincerely,

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ABSTRACT

Briefly, this research is related to Financial Performance. As the title, Intellectual Capital and Financial Performance, this study was conducted based on the observation and data collected from food industries' firms. Many of previous studies are using banking, automobile and corporate sector as their preferences of the study.

Intellectual capitals are also known as the background for some companies to perform well in business activities but not all firms take this step into action. Thus, some firms may have lead to low performance in the market. Previous studies also proved that big firms like corporate governance who take seriously about intellectual capital have better performance than firms who doesn't. In simpler words, the firms make some investments for something that is called intangible assets which can make a big impact to the company itself.

Regarding the variables used, the dependent variables selected comprises of two components to measure financial performance which are Return on Assets (ROA) and Return on Equity (ROE). For independent variable, the method used to measure Intellectual Capital is the Value Added Intellectual Capital (VAIC). This is a model developed by Pulic (1998). He also proposed the use of value added as an indicator measuring performance in a knowledge economy context.

But, regarding this topic, how Intellectual Capital can contribute towards manufacturing sector which specialized into food sector. This will be further explained through this study. The sample taken is from 10 companies specialized in food making and processing. The sampling year is conducted from 2005 until 2014