

UNIVERSITI TEKNOLOGI MARA

**RELATIONSHIP BETWEEN
INTELLECTUAL CAPITAL AND
FINANCIAL PERFORMANCE OF
SHARIAH COMPLIANT
CONSTRUCTION FIRMS**

**AHMAD SYAKIR BIN HAMDAN
KHAMARINA BINTI MOHAMED KHADZIR**

Dissertation submitted in partial fulfillment
of the requirements for the degree of

Master of Islamic Banking and Finance

Arshad Ayub Graduate Business School

December 2018

AUTHORS' DECLARATION

We declare that the work in this dissertation was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This dissertation has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

We, hereby, acknowledge that we have been supplied with the Academic Rules and Regulations for Post Graduated, Universiti Teknologi MARA, regulating the conduct of my study and research.

Name of Student : Ahmad Syakir bin Hamdan
Student I.D No : 2016445756
Signature of Student :

Name of Student : Khasmarina binti Mohamaed Khadzir
Student I.D No : 2016840856
Signature of Student :

Programme : Master of Islamic Banking and Finance
Faculty : Arshad Ayub Graduate Business School
Dissertation Title : Relationship Between
Intellectual Capital and Financial
Performance of Shariah Compliant
Construction Firms
Date : December 2018

ABSTRACT

Intellectual Capital has been used in past few studies to analyse its' relationship on firms' performance. As intangible resources, the researchers and also financial management organizations intend to know how these resources can create value to the firms and can improve the firms' financial performance. This intangible resource also been in Malaysia Plan since 8th Malaysia Plan until to date 11th Malaysia Plan and has been main agenda to boost the growth of the Malaysia's economy. Construction sector is one of the main contributor to the growth of Malaysia economy reported in the past Malaysia Plan's achievement in terms of good compounded annual growth rates. This study will focus on construction firms which Shariah compliant and listed in Bursa Malaysia because of none studies previously carried-out on Shariah compliant firms and the sector also is the most highest Shariah compliant contributions out of its' sector total securities listed in Bursa Malaysia. This paper will focus on exploring the components of Intellectual Capital (human capital efficiency, structural capital efficiency and capital employed efficiency) and its' influence on the performance of Shariah compliant construction firms listed in Bursa Malaysia. The findings have indicated that capital employed efficiency is the component that have significantly influenced on the performance of Shariah compliant construction firms listed in Bursa Malaysia. The results of this research have created important implications for investors, managers as well as policy makers in order for them to make strategic investments and financial decisions. This research also helps to fill the gaps exist in this research area when conducting research on components of intellectual capital that influence the Shariah compliant construction firms listed in Bursa Malaysia.

ACKNOWLEDGEMENT

Foremost, we would like to express our most gratitude to the Almighty Allah for all the wisdom He had granted us, the peace of mind, the health and the time in the journey of completing this thesis. We also would like to thank to each of the significant and insignificant person who had directly or indirectly contribute to the production of this research especially our beloved and helpful advisor Dr Mohamad Nizam Jaafar as without her valued taught, time, continuous support and guidance we might not be able to finish the entire process of this study. Next acknowledgement goes to our classmates who had really supported us in making sure that this research was done accordingly. Not to forget and on a more personal note, we would like to extend our gratitude to our parents, family members and friends as without their full and continuous supports, we will also might not be able to complete the journey. Last but not least, our appreciation goes to any individual or groups who have giving us their help and contributions within our period in completing our Master's Degree. We really hope that this research will be benefited by everyone on every single aspect.

Thank you.

TABLE OF CONTENTS

	Page
AUTHORS' DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	viii
LIST OF FIGURES	ix
LIST OF ABBREVIATIONS	x
CHAPTER ONE: INTRODUCTION	1
1.1 Introduction	1
1.2 Background of Study	3
1.2.1 The Importance of the Construction Sector in Malaysia	4
1.2.2 Shariah Compliant Stock in Malaysia Stock Market	6
1.3 Problem Statement	11
1.4 Research Objectives	13
1.5 Significance of Study	14
1.5.1 Researcher	14
1.5.2 Company	14
1.5.3 Regulators	14
1.6 Scope of Study	15
1.7 Definition of Terms	15
1.7.1 Human Capital	15
1.7.2 Capital Employed	16
1.7.3 Structural Capital	16
1.7.4 Firms' Performance	16
1.8 Organization of Chapters	16
CHAPTER TWO: LITERATURE REVIEW	18
2.1 Introduction	18
2.2 Overview of the Study	18