THE EFFECT OF INTELLECTUAL CAPITAL ON THE STOCK RETURNS
EVIDENCE FROM BANK INDUSTRY IN INDONESIA

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Abstract

Objectives This research investigates the impact of intellectual capital on the stock returns. Furthermore, this research tries to find any evidence regarding the correlation between intellectual capital and stock return in banking industry.

Method The paper uses the Palic framework as a tool for intellectual capital measurement has an Indonesia focus, and draws on data from 31 publicly listed banking companies for five year period on the Indonesia Stock Exchange. Annual reports were used to obtain the data and paper also tests the effect of intellectual capital components on stock returns.

Results The findings show that the intellectual and stock returns in banking industry in Indonesia are not significantly related. Moreover, this study also finds no evidence of statically significant correlation between intellectual capital components and stock return.

Conclusion The author concludes that intellectual capital is less concerned in Indonesia especially banking industry. It also proves that capital market in Indonesia has not yet reflects efficient market since the stock price should reflects all relevant information so the stock price will not over or undervalue. The insignificant relationship between intellectual capital and stock returns also due to there is still many factors that affect stock returns exclude in this study.

Key words
Intellectual Capital, Stock Return, Indonesia