

## CHAPTER V

### CLOSING

#### 5.1 Conclusion

The undeniable importance of IC on firm performance has drawn attention among practitioners and scholars around the globe. Numerous studies have considered the positive contribution of IC towards firm performance. As well as tangible assets, intangible assets also play a leading role in explaining firm productivity that leads to superior performance of the firm. This study aims to answer the question of whether investment in intangible assets (intellectual capital) influences bank productivity. In doing so, the study employed the VAIC model proposed by (Pulic, 2000), which input value of analysis is derive from financial statements. Panel data modeling was conducted using 35 commercial banks in Indonesia over period of 3 years (2017-2019).

First, this study analyzed the influence of overall IC on firm productivity. The study found that VAIC has significant positive influence on both firm productivity measures, employee productivity (EP) and asset turnover (ATO). These result are consistent with previous studies (Komnenić, Tomic and Pokrajcic, 2011; Mondal and Ghosh, 2012; Mrázková, Perželová and Glova, 2016; Yao *et al.*, 2019; Nazir, Tan and Nazir, 2020) that confirmed the significant influence of IC in improving firms productivity. The results demonstrated the proposition of Resource Based Theory that efficient and effective utilization of intangible resources will leads to superior performance and provide long term competitive advantage.

Second, this study also analyzed the individual influence of IC components (HCE, SCE, and CEE) on bank productivity. This study found various analysis results. For HCE, it was found to be significant on EP, but insignificant on ATO. The

positive contribution of HCE on EP indicates that commercial banks in Indonesia have realized the importance of its human capital, but not yet fully explored due to it has insignificant on ATO. Therefore, improvement on human capital development is being critical for company to realizing the optimum value of its human capital.

In this study, SCE is found to be significant on both firm's productivity indicators employee productivity and asset turnover. It indicates that firms have well established infrastructure that enable and support its employees in creating best value and maximum performance of the firms. For CEE, the study result show that it has negative impact towards EP and insignificant on ATO. These results are in line with RB theory that proposed that physical and financial capitals are unable to provide the long term competitive advantage for the firms. Overall, the study results answered the research question; when banks invest in IC, the improvement on their productivity follows.

## **5.2 Research Limitation and Suggestion**

In this study there are several limitations which can be considered by further researcher, who will perform the same research, including:

1. This study does not distinguish between conventional commercial banks and Islamic commercial banks. Thus, future studies might consider this as controlling factors so that it can provide a comparison of the influence between variables on different types of banks.
2. As panel data research, time span of this research is quite short. This study only examines data from financial reports for 3 consecutive years (2017-2019). Therefore, it can be a consideration of the future research to extend the time coverage of study, so that it can provide more reliable insights.
3. Since the data is manually inputted by researcher, the error and incorrect value might exist. Thus, to minimizing the error the future researcher can extract the data from third party that provide financial data of the company.

### 5.3 Research Implication

The implications that can be given by the author related to the result of this study are as follows:

1. For banking companies, the study result is being a wake-up call to pay more attention on their intellectual capital. Because it drive productivity and leads greater performance of the firm in today's modern knowledge era. As knowledge-intensive, banking firms daily operations is heavily relies on utilization of IC. Improper utilization of IC will makes the company fade away within the industry.
2. For the government, accounting firms, accountants, investors, and creditors, this research can be a call for them to concentrate and pay attention on intellectual capital that confirmed being a key driver in improving productivity of the firms.
3. For academics, this study is become a reference and literature for future research that examines the effect of IC on firm productivity.

