

IMPACT OF INTELLECTUAL CAPITAL DISCLOSURE ON FIRM PERFORMANCE: A COMPARATIVE EVALUATION BETWEEN INDIAN KNOWLEDGE BASED AND TRADITIONAL MANUFACTURING FIRMS

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Abstract

The aim of the paper is to study the impact of intellectual capital disclosure on the corporate performance of selected Indian firms. Further, this paper provides a comparative analysis of the influence of IC reporting on two distinct sectors: knowledge-based sector and the traditional manufacturing sector. 76 listed Indian firms are considered for this study, which comprises 30 firms from knowledge-based sector and 46 firms from the traditional sector for a period of 5 years from 2010-11 to 2014-15. The disclosure score for the sample firm is arrived at by adopting a comprehensive IC disclosure framework, while financial performance is measured by the market capitalisation of firms. The pooled OLS model is used to examine the impact of IC disclosure on firm value, and the interaction effect is included in the regression model to analyse the relative influence of IC disclosure on knowledge-based and traditional-based sectors. The results indicate a positive and significant association between IC disclosure and firm value for knowledge-based firms. Interestingly, similar observation is revealed for traditional-based firms. However, the relative influence of IC disclosure on firm value is found to be higher for knowledge-intensive firms as compared to physical capital-intensive firms. The extant literature has been silent in determining the role of IC disclosure on traditional manufacturing firms. This paper fills the void and enriches the existing literature by providing empirical evidence on the role of IC disclosure on traditional manufacturing firms

Keywords: Indian firms, Intellectual capital disclosure, Knowledge-based sector, Market value, Traditional-based sector