

Does Intellectual Capital Enhance Firm Efficiency: Evidence from Vietnam's Banking Sector

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Abstract

The purpose of this paper is to measure the technical efficiency of Vietnamese banks and examine its association with intellectual capital (IC) using the modified Value Added Intellectual Coefficient (MVAIC) for the time period of 2011 to 2018. This study collected data from BankFocus on State-Owned banks, joint-stock commercial banks, and foreign banks in Vietnam for the relevant years. An examination of contemporary literature on intellectual capital and technical efficiency is undertaken with an emphasis on MVAIC and Stochastic Frontier analysis approaches, tools used in this analysis. Multiple regressions approaches were applied to increase the robustness. Results provide evidence that there is significant variation in the performance of Vietnamese banks with a decreasing trend in efficiency. The analysis reveals a bias in favour of State-Owned banks. Additionally, IC was positively associated with efficiency when examined as a collective; however, when the IC components were examined separately, human capital efficiency (HCE) was revealed as the largest contributor to efficiency. This study's results offer important data and implications for firm administrators and policy regulators involved in the creation, management, and advancement of intellectual capital in the Vietnamese banking sector. This is the first study to examine the association of intellectual capital and technical efficiency in local and foreign-owned banks in Vietnam.

Keywords: Technical efficiency, Banks, Intellectual Capital, Performance Evaluation, Vietnam