

Efficiency of Malaysian politically connected insurers: revisiting the resource-based view

¹ Noor Azlinna Azizan, ² Qian Long Kweh, ³ Wei Kiong Irene Ting

¹ *Faculty of Technology, Universiti Malaysia Pahang, Lebuhraya Tun Razak, 26300 Kuantan, Pahang, Malaysia.*

² *Department of Accounting, College of Business Management and Accounting, Universiti Tenaga Nasional, Sultan Haji Ahmad Shah Campus, 26700 Muadzam Shah, Pahang, Malaysia*

³ *Department of Finance and Economics, College of Business Management and Accounting, Universiti Tenaga Nasional, Sultan Haji Ahmad Shah Campus, 26700 Muadzam Shah, Pahang, Malaysia*

Abstract The resource-based view theory that has influenced the field of intellectual capital management concerns a company's competency and capability. From the theory, the first purpose of this study is to examine the impacts of intellectual capital (IC) and political connections on the efficiency of Malaysian general insurance companies. The second purpose is to evaluate the moderating effect of political connections on the relationship between IC and efficiency. We apply data envelopment analysis (DEA) to measure efficiency. Following prior studies, we employ Value Added Intellectual Coefficient (VAIC[®]) as a measure of IC. Using a panel dataset of 64 firm-year observations over the period 2008-2011, we find that politically connected insurers have higher levels of VAIC[®] and efficiency. Our regression analysis also shows that VAIC[®] and political connections are significantly and positively related to efficiency. The interaction term on VAIC and political connections is also significantly positive. One implication of this study is that it may provide some insight for Malaysian general insurers in managing their resources, especially IC as well as sources from political connections.

Keywords: resource-based view, RBV, political connections, efficiency, data envelopment analysis, DEA, VAIC, Malaysia, firm competency, firm capability, intellectual capital, insurance industry, politics