

The Impact of the Intellectual Capital on Firm's Financial Performance and the Market Value: Evidence from the Financial and Non-financial Listed in the Colombo Stock Exchange

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Abstract

Tangible assets and intangible assets have played a vital role in the organizations in the present business world. Therefore effort of employees, innovation, thoughts, patents, brand image, and copyright have become crucial intangible assets of the organizations concerned as a part of the intellectual capital. Further, intellectual capital can be categorized as human capital, relational capital, and structural capital. Accordingly, numerous studies were conducted to examine the impact of intellectual capital on the firm's performance and its value with inconclusive results. These inclusive results of previous studies are encouraging to study the ability of intellectual capital to determine the performance and the value of the firms. Therefore, 60 Financial and Non-financial companies listed on the Colombo Stock Exchange(CSE) are selected to examine the impact of intellectual capital on its performance and its value. Secondary data related to these variables are chosen from these financial and non-financial companies for the period of five years, from 2015 to 2019. Intellectual capital is measured using the Value Added Intellectual Coefficient (VAIC). So human capital, relational capital, and structural capital as the components of the independent variable of Intellectual capital of the research. The firm's performance and the firm's value are considered as dependent variables of the study separately. The firm's performance and the firm's values are measured using Return on assets and the market to book value, respectively. Data of the research are analyzed by using the linear regression model through e-views software. The finding of this research will be beneficial to the management of the company to make decisions relating to intellectual capital, human capital development, knowledge management, and to prepare a succession plan for the organizations.

Keywords: Intellectual Capital), Value Added Intellectual Capital, Return on Asset, Market to Book Value