

Impact of Intellectual Capital on Financial Performance of Insurance Industry Sri Lanka

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ABSTRACT

Introduction: The aim of this study is to identify the impact of intellectual capital on the financial performance of Insurance corporations in Sri Lanka, as there is a lack of studies in this industry though it is a major component of the Economy.

Design/Methodology/Approach: The research methodology is a quantitative approach, where the secondary data were gathered from the period of 2016 to 2020 by taking twenty major Insurance companies covering more than 60% of the market capitalization.

Findings: According to the multiple regression analysis undertaken through STATA software, it was found that Structural Capital Efficiency (SCE) and Physical Capital Efficiency/ the Capital Employed Efficiency (CEE) have a significant impact on the dependent variable, Asset Turnover Ratio (ATO), while Human Capital Efficiency (HCE) does not have a significant impact. The efficiency of capital investment is measured by CEE and found to be the most significant predictor of financial performance.

Conclusion: The results depicted a greater impact of capital employed efficiency on financial performance compared to other intellectual capital constituents. These findings would be both conceptually and practically appealing for Insurers to apply knowledge management practice in their institutions. Also, this study would provide some information to the stakeholders and potential investors to assess the value-creating capabilities of selected insurance companies and help decision-makers be aware of the importance of intellectual capital as a key factor that can enhance a firms' ability to maintain its competitive position

Keywords: *Intellectual Capital, Human Capital Efficiency, Physical Capital Efficiency, Structural Capital Efficiency, Financial Performance, Insurance companies*