

“THE IMPACT OF INTELLECTUAL CAPITAL ON THE FINANCIAL PERFORMANCE OF LISTED LICENSED COMMERCIAL BANKS IN SRI LANKA”

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Abstract

The relationship between companies' financial performance and intellectual capital is becoming increasingly an interesting issue in this era, particularly in periods of severe economic uncertainty, when companies are looking for new solutions to survive and realize a competitive advantage. This study examined the effect of intellectual capital on the financial performance of listed licensed commercial banks in Sri Lanka. The study uses the Modified Value-Added Coefficient (MVAIC) method to measure the independent variables of the study, and components of MVAIC became the independent variables of the research, and financial performance became the dependent variable. The study investigated the impact of intellectual capital on the financial performances of banks in the past ten years, from 2012 to 2021. The secondary data were used by the study from the annual reports of the listed licensed commercial banks in Sri Lanka. The panel regression model was employed in the research. The findings of the study show a positive relationship between intellectual capital and the bank's financial performance. Capital Employed Efficiency and Human Capital Efficiency have a significant positive relationship on Return on Assets and Return on Equity over the last ten years period. Furthermore, the findings of the study would be useful to the policymakers, different types of other stakeholders and potential investors to assess the value-creating capabilities of selected banks. Accordingly, the findings of this study will be helpful to different types of decision-makers to become aware of the importance of intellectual capital as a key factor that can enhance a bank's ability to maintain its competitive position.

Key Words: *MVAIC, Financial performance, Intellectual capital, Listed license Commercial Banks in Sri Lanka*