

Impact of Intellectual Capital on Profitability of Licensed Specialized Banks of Sri Lanka: Evidence from Sri Lanka

J.P.D.K. Jayasooriya¹, A.J.P. Samarawickrama²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

jayasoo-bm19324@stu.kln.ac.lk¹, aravindaj@kln.ac.lk²

Abstract

Introduction: This study contributes to investigate the impact of intellectual capital (IC) on the profitability of six licensed specialized banks in Sri Lanka.

Methodology: Human Capital Efficiency, Structural Capital Efficiency, Capital Employed Efficiency and Relational Capital Efficiency are the independent variables used in this study and ROA, ROE are the dependent variables. For empirical problems, this research addresses balanced panel data with 6 Licensed Specialized Bank of Sri Lanka from 2013 to 2022, based on data availability for the study. STATA will be used for data analysis through regression while testing my hypothesis

Findings: This analysis shows a significant positive relationship between MVAIC and profitability. Among the MVAIC components, there is a significant positive impact between HCE and profitability (ROA, ROE). However, this study shows that there is no significant impact on profitability with SCE and RCE. However, although CEE shows a significant positive impact on ROA, it is not significant on ROA.

Conclusion: The result highlights that the overall model is statistically significant. According to the findings, the need to establish targeted strategies to improve IC, promote innovation, and profitability in the banking environment is evident.

Keywords: Intellectual, Capital, Modified Value- Added Intellectual Capital Coefficient, Profitability, Licensed specialized banks, Value added intellectual coefficient