

Mediating Effect of Intellectual Capital on the Relationship between Corporate Governance and the Firm Performance in Listed Financial Sector Companies in Sri Lanka.

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Abstract

The changing economic and business environment has emphasized the importance of identifying intangible assets like intellectual capital and their relationship with different organizational factors. Some researchers have examined these relationships using different dependent and independent variables related to various industries in various countries. Thus, it is important to investigate the effects of corporate governance on a firm's performance with the mediating effect of Intellectual Capital (IC). This study is mainly focused on the mediating effect of intellectual capital on the relationship between corporate governance and firm performance in listed financial sector companies in Sri Lanka. In the Sri Lankan context, we can find only limited literature regarding this area and, there is a research gap also. This research has used listed financial sector companies in CSE, and the whole population were selected as the sample for the study. Data will be collected from annual reports for the period from 2017 to 2021. This research will use operational efficiency and Tobin's Q as performance indicators of the organization and the Value-Added Intellectual coefficient (VAIC) model to measure intellectual capital. This study will construct the Corporate Governance (CG) index to measure the level of compliance with the code of corporate governance in this study, results of the recursive and non-recursive model of the Structural Equation Model (SEM) are used to analyze the data. Accordingly, the findings of this study will offer a better understanding of the influence CG has on firm performance with the mediating effect of IC. Further. The findings of this study will be useful for regulatory bodies to understand the existing level of CG in Sri Lankan listed financial sector companies on the Colombo Stock Exchange. In addition to that, the finding of the study will be used by the different stakeholders, such as present and potential investors to get an understanding of their decision-making purpose.

Keywords: *Moderate effect, Intellectual capital, Corporate governance, Firm performance.*