

Intellectual Capital and Firm Performance: Empirical Evidence from Listed Capital Goods Companies in Sri Lanka

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Abstract

The study explores the impact of intellectual capital on the firm performance of listed capital goods companies in Sri Lanka. The sample comprises 23 capital goods companies listed in Colombo Stock Exchange for the five years from 2018 to 2022. Pulic's Value Added Intellectual Coefficient has been employed to measure the intellectual capital and the value creation efficiencies of capital employed, human capital and structural capital of selected firms. This study used return on equity and return on assets as a signal of the presence of firm performance. The researchers use Pearson's correlation analysis and construct regression models to investigate the impact of intellectual capital on firm performance. The results reveal that capital employed efficiency positively affects the firm performance of listed companies, and human capital efficiency negatively affects the firm performance. Structural capital efficiency has not shown any significant impact on firm performance. The study's findings are relevant for decision-makers because they show that intellectual capital is important, especially capital employed in value creation. The findings may contribute to a deeper understanding of how intellectual capital contributes to corporate value creation and developing long-lasting competitive advantages for companies in emerging economies.

Keywords: *capital employed efficiency, firm performance, human capital efficiency, structural capital efficiency*