

The Impact of the Intellectual Capital on Firm's Financial Performance: Evidence from the Listed Consumer Service Companies in the Colombo Stock Exchange

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Abstract

This research study explores the impact of the value-added intellectual capital (VAIC) and financial performance within Sri Lanka's consumer service sector (listed on the Colombo stock exchange). Using statistical methods in E Views 08, the study examines the effects of three major events the COVID-19 pandemic, the 2019 Easter Sunday assaults, and difficult economic circumstances on the financial dynamics of 37 selected companies throughout the period of 2017 to 2023. Following the COVID-19 epidemic, worldwide upheavals impacted Sri Lanka's commercial environment, posing hitherto unseen difficulties such as strained supply chains, lower consumer spending, and operational limitations. The attacks on Easter Sunday created additional complexity and had an impact on consumer behavior and investment confidence in a number of industries. of addition to the external shocks, the study is further complicated by the wider economic conditions of Sri Lanka, which are characterized by structural problems and budgetary difficulties. The study evaluates the elements of intellectual capital and how they affect return on equity (ROE) using the VAIC framework. The study aims to provide a thorough understanding of how intellectual capital interacts with and potentially mitigates the impact of external shocks on the financial performance of consumer service industry companies in Sri Lanka by placing the findings within a larger economic framework and taking external events into consideration. By illuminating the complex dynamics that influence the financial results of businesses functioning in demanding and dynamic environments, the research's findings add to the body of knowledge and aid in actual decision-making.

Keywords: Value Added Intellectual Capital, Financial Performance, Return on Equity, Human Capital Efficiency, Capital Employed Efficiency, Structural Capital Efficiency, Relation Capital Efficiency