

## **Intellectual Capital on Financial Performance: Evidence from the Insurance Industry in Sri Lanka**

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Intellectual capital is considered as an important asset for an organization to achieve its competitive advantage and sustainable corporate performance. However, these assets are not recognized in the financial statement of an organization. This study emphasized the importance of modified intellectual capital on the financial performance of insurance companies in Sri Lanka. Thus, the main objective of this study was to identify the impact of modified value-added intellectual capital on the financial performance of the insurance industry in Sri Lanka. Data was collected from the audited annual reports of seven insurance companies within the period of 2011-2018. Return on asset was calculated to measure the financial performance and also the Modified Value-added Intellectual Capital Method (MVAIC) was used to measure the intellectual capital of the insurance companies in Sri Lanka. The study employed, panel data regression analysis as the main analytical method to achieve the objective of the study. Accordingly, the findings revealed that the components of the MVAIC such as human capital efficiency, structural capital efficiency, relational capital efficiency and capital employee efficiency have a positive and significant impact on the financial performance of the insurance industry in Sri Lanka. Finally, the study came into the conclusion that intellectual capital has a significant and a positive impact on financial performance of the Sri Lankan insurance industry. Further, these findings will enable the knowledge management in the insurance industry in Sri Lanka and will guide them the accurate way of investing on the intellectual capital.

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