# Impact of Intellectual Capital Disclosures on Profitability: Evidence from Public Listed Companies in Sri Lanka

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## Abstract

Technological advancements have increased the usage, creation and development of intellectual capital (IC). Corporations disclose IC since it plays a significant role in enhancing corporate financial performance. In this context, in terms of listed companies in Sri Lanka, the study initially assessed the level of Intellectual Capital Disclosures (ICDs) and investigated its impact on profitability. This study followed a quantitative methodological approach with a sample of 52 companies. Data is collected using an Intellectual Capital Disclosure Index encompassing three categories (i.e., Structural capital, Human capital and Relational capital) from 2019 to 2023 (260 observations). The collected data were analyzed using One-sample t-tests and Panel regression analyses for two models (Model 1 representing Overall ICDs and Model 2 representing Structural, Human and Relational capital). The findings revealed a lower level of ICDs on an overall basis since the mean value (32.72 per cent) is below the test value of 50 per cent. Similarly, disclosure levels of structural, human, and relational capital are also lower, ranging from 25% to 40%. Panel regression analysis results suggest that ICDs positively impact profitability on an overall basis (Model 1), whereas there is not statistically enough evidence to support the impact of structural, human, and relational capital on profitability (Model 2). The findings suggest substantial implications for corporates, regulators, and professional bodies regarding the understanding of ICDs and their impact on profitability, which may help enhance disclosure practices.

*Keywords:* Human Capital Disclosure, Intellectual Capital Disclosure, Relational Capital Disclosure, Structural Capital Disclosure

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