

IMPACT OF INTELLECTUAL CAPITAL ON FIRM'S PERFORMANCE CASE OF CEMENT SECTOR

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Abstract:

Purpose: With the emerging economies, intellectual capital is considered as focus of study for the researcher. So the purpose of the study is to examine the effect of intellectual capital on firm's performance

Design / methodology: Data was extracted from the financial statements of 11 companies listed on Pakistan stock exchange, five year data was collected from the period 2011 to 2015. VAIC methodology defined by PULIC was used to measure the IC and firm performance was measured through ROE. To test the model and proposed hypothesis, EVIEWS was used.

Findings: The results of the analysis support the two of the hypothesis and shows that there is positive significant association between IC and firm performance in the sample cement companies of Pakistan. While among its components only structural capital shows positive association with the firm performance measure (ROE) while HCE & CEE does not have significant relation with ROE. Structural capital is the only component of IC which is regarded for enhancing valuation and profitability of a firm

Research limitation/ implications: Evidence from the sample companies shows that there is moderate association between IC and firm performance. Results are based on sample of listed companies and only cement sector is tested therefore findings are not universal therefore results cannot be applied to other sectors, as it vary from industry to industry.

Practical implication: This study shows that cement companies are having greater focus on structural so it is suggested that companies should invest in other components of IC as well.

Keywords: Return on equity (ROE), Intellectual capital (IC), Human capital efficiency (HCE), Structural capital efficiency (SCE), Capital employed efficiency (CEE).

Table of Contents

Chapter 1 INTRODUCTION	3
Introduction:	3
1.1 Background of the study:	3
1.1.1 Human capital:	4
1.1.2 Structural capital:	5
1.1.3 Capital employed:	5
1.2 Research Problem:	6
1.3 Research Objectives:	6
1.4 Research Questions:	6
1.5 Significance of the study:	6
1.6 Organization of the Study:	7
Summary:	8
CHAPTER 2 LITERATURE REVIEWS	9
Introduction:	9
2.1 Intellectual Capital:	9
2.1.1 VAHU:	10
2.1.2 STVA:	10
2.1.2 VACA:	11
2.2 Firm Performance:	11
2.3 Impact of IC and Its Components on Firm Performance Measures:	13
Summary:	19
Chapter 3 METHODOLOGY	20
Introduction:	20
3.1 Research Design:	20
3.2 Population:	20
3.3 Sampling Technique and Sampling Size:	20
3.4 Data Collection:	21
3.5 Data Analysis:	21
3.6 Hypotheses:	21
3.7 Independent variable calculation:	22
3.7.1 VAIC™ MODEL:	22
3.8 Dependent variable calculation:	23
3.9 Conceptual Framework:	24

Summary:.....	25
Chapter 4 Data Analysis	26
Introduction:	26
4.1 Development of research model:	26
4.2 Data analysis:	26
4.2.1 Table 1:	26
4.2.2 Regression analysis:	27
4.2.3 Analysis of IC on ROE	27
4.2.4 Hypothesis analysis:	27
4.2.5 Table 2:	28
4.2.6 Model and significance predictors:	28
4.2.7 Regression analysis:	29
4.2.8 Analysis of variables:	29
4.2.9 Hypothesis analysis:	30
Summary:	30
Chapter 5 critical debate:	31
Introduction:	31
Summary:	33
Chapter 06 Conclusion & Recommendations	34
Introduction:	34
6.1 conclusion:	34
6.2 Recommendations:	35
6.3 Limitations:	36
Summary:	36
REFERENCES:	37
Appendices:	41