

**DOES INTELLECTUAL CAPITAL DISCLOSURE INFLUENCE FIRM
PERFORMANCE IN SRI LANKA? EXAMINING THE MODERATING EFFECTS
OF KNOWLEDGE INTENSITY AND INDUSTRY NATURE**

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ABSTRACT

This study examines the relationship between intellectual capital (IC) disclosure and firm performance across diverse sectors in Sri Lanka from 2019 to 2023, considering the moderating influence of knowledge intensity and industry characteristics. Using panel data regression analysis on a sample of 100 firms, the research employs an IC Disclosure Index encompassing human, structural, and relational capital components. The findings present mixed conclusions regarding the impact of IC disclosures on firm performance. While there are indications of positive effects, such as significant relationships found for return on assets (ROA), return on equity (ROE), and Tobin's Q in certain contexts ($\beta = 0.652$, $\beta = 0.471$, and $\beta = 0.520$, respectively; all with $p < 0.01$), these effects vary significantly across industry types. Specifically, stronger positive impacts were observed in knowledge-intensive sectors ($\beta = 0.620$ for ROA, $\beta = 0.575$ for ROE, $\beta = 0.710$ for Tobin's Q, all $p < 0.01$), whereas the influence was less pronounced in less knowledge-intensive industries ($\beta = 0.270$ for ROA, $\beta = 0.115$ for ROE, $\beta = 0.125$ for Tobin's Q, all $p < 0.05$). These mixed results suggest that, while IC disclosure may enhance firm performance under certain conditions, its effectiveness is not consistent across all industry contexts, emphasizing the need for tailored strategies in IC disclosure practices.

Keywords: Firm performance, industry nature, intellectual capital disclosure, knowledge intensity