# "EFFECT OF INTELLECTUAL CAPITAL ON FINANCIAL PERFORMANCES OF ENTERPRISES; AN INVESTIGATION INTO FOOD SECTOR OF PAKISTAN"


**By**

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## MBA Thesis

## 2nd Half-semester Progress Report & Thesis Approval

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| 6 | 14th Nov 16 | CUBICAL - 1 | FOCUSES OVER THE CRITICAL POINTS OF RESEARCH | Nida. |
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Supervisor's Signature: _____ Date: 26th Jan, 2017.

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# ABSTRACT

**PURPOSE:** Intellectual capital (IC) now shows a very significant acceptance as the worthy topic of academic investigation as well as in the professional fields. The purpose of this study is to investigate the effect of intellectual capital on financial performance of enterprise. In today's competitive market, IC has been use as a tool to get the additional edge over others. To investigate this phenomenon several measuring methods defined under this research proposed by different authors but this study has used the VAIC tool, proposed by Pulic (1980). By using VAIC, this study has examined the effect of IC on the firm's financial performance.

**METHODOLOGY AND DATA:** The data collected from the audited financial reports of three food companies listed under Pakistan Stock Exchange. 15 years of data for each company has been examine which makes the sample of 45. The data used to calculate Human Capital Efficiency (HCE), Structural Capital Efficiency (SCE), Customer Capital Efficiency (CCE), Value Added Intellectual Coefficient (VAIC) and firms profitability through Net Income (NI). Analysis done by using Statistical Package for Social Sciences (SPSS).

**FINDINGS:** The results of the study demonstrate that there is a negative and insignificant relationship among the VAIC and firm's financial performance indicated through Net Income. However, negative and insignificant relation was observe between the HCE and firm's profitability. Despite the fact that IC is recognized as important strategic tool for corporates to achieve competitive advantage, the results of the study give rise to several arguments, criticism and space for further research in this context.

**PRACTICAL IMPLICATIONS:** Results of this study proves that the organizations can achieve the highest competitive advantage with investment and keen focus on intellectual capital. By doing so, firms can move from economy based tangible assets to the economy based intangibles.

**KEY WORDS:** Intellectual Capital, Human Capital Efficiency, Structural Capital Efficiency, Customer Capital Efficiency, Financial Performance, Net Income, Value Added Intellectual Capital.

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