HUMAN CAPITAL EFFICIENCY AND FIRM PERFORMANCE: EMPIRICAL EVIDENCE FROM INDUSTRAILS SECTOR IN SRI LANKA

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The study explores the impact of human capital efficiency on firm performance of listed companies in industrials sector in Sri Lanka. The data comprises a 155-firm-year observation of 31 companies listed under the industrials sector in the Colombo Stock Exchange for the five years from 2018 to 2022. Modified Value-Added Intellectual Coefficient has been employed to measure the human capital efficiency of selected firms. This study used the Return on Equity and Operating Profit to Assets ratio as a signal of the presence of firm performance. The researchers use Pearson's correlation analysis and construct regression models to investigate the impact of human capital efficiency on firm performance. The results reveal that human capital efficiency positively affects the firm performance of listed companies in the industrials sector. The findings of this study are highly relevant for decision-makers, as they demonstrate the crucial role played by human capital in value creation. The results indicate that human capital is a key driver of corporate performance, especially for industrials sector firms in developing economies like Sri Lanka. The government should consider the efficient use of human capital to establish a framework that supports firms' policies. Therefore, governments and corporations in developing economies should prioritize investments in developing intellectual capital to enhance corporate performance and promote economic growth. It makes significant contributions by considering interaction variables and seeking consistency in results across different political regimes.

Keywords: gross profit to assets ratio, human capital efficiency, operating profit to assets ratio, return on equity