

IMPACT OF FIRM CHARACTERISTICS ON INTELLECTUAL CAPITAL DISCLOSURE: EVIDENCE FROM SRI LANKA

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This study aimed to investigate the relationship between firm characteristics and intellectual capital disclosure. Intellectual capital reporting is mostly unregulated in Sri Lanka, due to the fact that it is voluntary disclosure. In the recent past, there has been a growing dissatisfaction with traditional financial reporting. Further, Intellectual Capital (IC) performs an increasingly more important position in sustaining competitive advantages and creating corporate value for a corporation. Therefore, there is a strong need to study whether firm characters influence the extent and variety of disclosures presently made by the firms in Sri Lanka. The dependent variable in this research is intellectual capital disclosure and it is measured by the content analysis method. The Content analysis is supported by a disclosure index that measured a variety of intellectual capital disclosure. The independent variables in this research are firm characteristics, firm size, leverage, industry type, and auditor type. Data were collected from the annual reports of 197 non-financial firms listed in the Colombo Stock Exchange (CSE) for three years from 2016/2017 to 2018/2019 and data was analyzed by using EViews 11 statistical package. This study used descriptive statistics, correlation, and regression analysis to find out the association between independent and dependent variables. The results of regression analysis suggested that firm size (FS) and auditor type (big four audit firms) are the key contributors in determining the level of intellectual capital disclosure in the annual reports of the firm. The findings of this study have implications for policy makers and particularly for firm characteristics developments in Sri Lankan non-financial firms and, the study has implications for Sri Lankan firms and stakeholders and investors.

Keywords: *Firm Characteristics; Intellectual Capital; Listed Firms*
