MEASURING THE INTELLECTUAL CAPITAL EFFICIENCY OF INDIAN HOTELS LISTED IN NATIONAL STOCK EXCHANGE OF INDIA LTD USING E-VAIC MODEL

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ABSTRACT

The purpose of this study is to determine whether intellectual capital (IC) impacts the profitability of the Indian hotel industry. Specifically, this paper examines the degree to which IC and its key components affect the profitability performance of hotels. The sample included all the hotels that are listed in the NSE. Extended value-added intellectual coefficient was used to measure the level of IC contribution to the profitability of sample hotels. The results indicated that profitability was affected by relational and structural capital. The research confirmed that the return on sales of hotels in India was influenced by the efficient use of intellectual capital. The senior managers in the hotel industry must recognize the importance of managing the intangible resources embedded in their employees and processes. The findings of this study could help the recognition of the importance of investing in intellectual capital, (by hotel industry), in India. Moreover, the study suggests that long-term growth of hotels should not rely solely on physical and financial assets.

Keywords: *Hotel Industry, Intellectual Capital, Profitability, Intangible Assets, and Extended Value-Added Intellectual Coefficient*

1. INTRODUCTION

This study analyzes the impact of intellectual capital on a firms' value and profitability. The recent theories of strategic management, such as the resource-based view, the competencies-based view, and the skill-based view, help firms improve their understanding of the nature and importance of intellectual capital (IC) as a dynamic resource (Bchini, 2015). This business knowledge is a powerful tool for the firms to compete in the present information age. Intelligence quotient and information enable corporate firms to create an optimum combination of tangible and intangible resources that create real financial outcomes. In the information age, the success of the corporate firms depends less on tangible assets and more on available intangible resources (Hejazi, et al., 2016). Moreover, the shift from a knowledge economy to an industrial economy also created a high amount of pressure on companies to use soft resources efficiently as human capital and knowledge, and thus, human capital has become a major factor in economic growth. In other words, companies' success, profitability, and value once depended upon tangible assets like land, infrastructure, and equipment (Nuryaman, 2015).

In the current global economy intangible assets, through human capital development and knowledge management, have contributed to approximately 80% of companies' value (Vodák, 2011). The ability of firms to use information and business knowledge has become the key factor in information economics in the modern world (Noradiva, et al. 2016). Hence, the investment in intellectual capital is inevitable in this modern era of globalization. Considering the above, the relationship between independent variable (intellectual capital) and dependent variable i.e. firm value is an important research domain, which further highlights the dynamics of financial management.

At present, Indian companies are mainly focusing on intellectual capital. Many scholars and researchers have tried to explain the relationship between intellectual capital and the profitability of firms through various methods (Mavridis and Kyrmizoglou, 2005). In financial management literature, the most effective