



Impact of Intellectual Capital on Profitability - Conventional versus Islamic Banks

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Abstract

Intellectual capital has been found to have a significant association with profitability in the financial sector of various parts of the world. As a result, this study aims to empirically investigate the relationship between intellectual capital and financial performance of twenty-seven private commercial banks for the year 2013 in Bangladesh. Annual reports for the relevant year of the selected banks have been used to gather secondary information for the empirical models based on Pulic's VAIC model. Stepwise regression was performed for the full sample, conventional and Islamic banks separately. The analysis indicates that both VIAC and its components have a significant association with profitability. Results for conventional and Islamic banks established different components of VIAC as a significant predictor of bank's profitability. A future study including all financial institutions could provide a better estimate of the impact of intellectual capital on profitability for the finance sector.