

Special Edition

NEPALESE JOURNAL OF MANAGEMENT

N J M

VOLUME 7

NUMBER 1

JANUARY 2020

ISSN: 2392-4152

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# Nepalese Journal of Management

JANUARY 2020 • VOLUME 7 • NUMBER 1 • ISSN: 2392-4152

Special issue of Nepalese Journal of Management is  
published by

**Uniglobe College, Kathmandu, Nepal**

in collaboration with

**Fortune Institute of International Business (FIIB),  
New Delhi, India**

**A Publication of**



New Baneshwor, PO Box: 7953, Kathmandu, Nepal | Tel: 977-1-411 56 90 / 411 55 69

Email: [mail@uniglobe.edu.np](mailto:mail@uniglobe.edu.np) | URL: [www.uniglobe.edu.np](http://www.uniglobe.edu.np)

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## Nepalese Journal of Management

### Value Creation and Financial Performance in Technology Driven Firms of India - Quantifying the Intangibles

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#### Abstract

*The purpose of this paper is to analyze the relationship between the tangible and intangible drivers of value creation and the measures of traditional financial performance in technology driven pharmaceutical industry. The study attempts to modify the classic Value Added Intellectual Coefficient Model (VAICTM) developed by Ante Pulic in 1993 (Pulic, 2004) by introducing three new components of Intellectual Capital i.e. Innovation Capital, Relational Capital and Social Capital to assess value creation efficiency of 190 BSE and NSE listed technology driven Pharmaceutical firms in India. Return on Assets (Profitability), Asset Turnover (Productivity) and Market to Book Value Ratio (Market valuation) are used as dependent variables.*

*The results indicate positive and significant relationships between the drivers of value creation and firm profitability, productivity and market valuation. Human Capital and Innovation Capital emerge as the most significant drivers of value creation. The Modified VAIC Model (MVAIC) was found to be a better predictor of value creation for the sample firms, as compared to the VAICTM Model. The introduction of Innovation Capital, Relational Capital and Social Capital as new components of Intellectual capital provides valuable insights about the concept of value creation in technology driven firms.*

*Keywords: Intellectual Capital, Value Creation Efficiency, Pharmaceutical, Innovation Capital, Human Capital*

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#### I. Introduction

In present times, the developing Indian economy is at the threshold of implementing several major scientific reforms and technological transformations, which once executed, may change the way India is perceived across the globe. The last few decades of the twentieth century have witnessed ripples of change in the way that business is being conducted in the nation's corporate sector. Not only India, but an