

Abstract

This study is attempted to examine the effect of intellectual capital (IC) on financial performance (FP) as well as financial stability of Non-Banking Financial Companies (NBFCs) in Pakistan. IC is measured through three dimensions i.e. human capital efficiency (HCE), structural capital efficiency (SCE), and relational capital efficiency (RCE). This study has measured IC efficiency using M-VAIC model; which consider capital employed efficiency (CEE) as a component of this model. Financial performance is measured by the proxies of return on asset (ROA) and return on equity (ROE) and financial stability is calculated by the proxy of Z-score. The sample for this research has been taken from 54 non-banking financial companies (NBFCs) of Pakistan during the period of 2014 to 2018. The data collected has been analyzed using descriptive and inferential statistics techniques. Under descriptive statistics, this study has presented descriptive summary of variables comprising of mean, standard deviation, minimum and maximum values. In inferential statistics, this study has employed Pearson correlation and penal corrected standard errors techniques. The findings extracted through multiple regression analysis show substantial influence of various components of M-VAIC model on financial performance as well as financial stability of NBFCs. Among the IC components, HCE and CEE have positive significant influence on financial performance. Where, SCE and RCE have substantial negative impact on financial performance. Besides, CEE and RCE have substantial positive effect on financial stability. HCE and SCE have negative influence on financial stability of the NBFCs. The finding of this study is helpful for the formulation of new policies for the allocation of financial resource for development of 'intellectual capital' in NBFCs of Pakistan.

Keywords: Intellectual capital, financial performance and financial stability, non-banking financial companies.